NEW ISSUE **Moody's: Aaa**
BOOK-ENTRY ONLY **(See "RATING" herein)**
Insured by Ambac

In the opinion of Co-Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, interest on the Series 2001A Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Co-Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2001A Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Co-Bond Counsel is further of the opinion that interest on the Series 2001A Bonds is excluded from Missouri taxable income for purposes of the income tax imposed by the State of Missouri. See "TAX MATTERS" herein regarding certain other tax considerations.

$62,205,000
ST. LOUIS MUNICIPAL FINANCE CORPORATION
City Justice Center Leasehold Revenue Refunding Bonds, Series 2001A
(City of St. Louis, Missouri, Lessee)

Dated: September 1, 2001 **Due: February 15, as shown on the inside cover**

The St. Louis Municipal Finance Corporation City Justice Center Leasehold Revenue Refunding Bonds, Series 2001A (the "Series 2001A Bonds"), are being issued by the St. Louis Municipal Finance Corporation (the "Corporation"), a nonprofit corporation organized and existing under the laws of the State of Missouri (the "State"). The Series 2001A Bonds will be issued under and secured by an Indenture of Trust dated as of August 1, 1996 ("Master Indenture"), as amended and supplemented by a First Supplemental Indenture of Trust, dated as of August 1, 1996 (the "First Supplemental Indenture"), as amended and supplemented by a Second Supplemental Indenture of Trust, dated as of February 1, 2000 (the "Second Supplemental Indenture") and a Third Supplemental Indenture of Trust, dated as of September 1, 2001 (the "Third Supplemental Indenture"), by and between the Corporation and UMB Bank, N.A., Kansas City, Missouri, as trustee (the "Trustee") (such Master Indenture, as amended and supplemented by the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture is hereafter referred to as the "Indenture"). The proceeds of the Series 2001A Bonds will be used (i) to refund a portion of the Corporation's outstanding Leasehold Revenue Improvement Bonds, Series 1996A (ii) to fundand (ii) to pay the required deposit to the Debt Service Reserve Fund Series 2001A, and (iii) to certain costs of issuance of the Series 2001A Bonds.

The Series 2001A Bonds and the interest thereon shall be special obligations of the Corporation payable solely out of the rentals and certain other revenues and receipts derived by the Corporation pursuant to the Lease Agreement (as herein described), and are secured on a parity basis with certain other outstanding obligations of the Corporation by a pledge and assignment of the Trust Estate (as defined in the Indenture) to the Trustee pursuant to the Indenture. No incorporator, member, agent, employee, director or officer of the Corporation or the City of St. Louis, Missouri (the "City"), shall at any time or under any circumstances be individually or personally liable under the Indenture or the Lease Agreement for anything done or omitted to be done by the Corporation thereunder. The Series 2001A Bonds and interest thereon shall not be a debt of the City or of the State and neither the City nor the State shall be liable thereon, and the Series 2001A Bonds shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The obligation of the City to make rental payments is subject to annual appropriation by the St. Louis Board of Aldermen. The Corporation has no taxing power. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2001A BONDS" herein.

The Series 2001A Bonds are issuable only as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. Purchases of the Series 2001A Bonds will be made in book-entry form in denominations of $5,000 or any integral multiple of $5,000 in excess thereof. Purchasers will not receive certificates representing their interests in the Series 2001A Bonds purchased. So long as Cede & Co. is the registered owner of the Series 2001A Bonds, as nominee of DTC, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as herein defined) of the Series 2001A Bonds. The Series 2001A Bonds will bear interest from their dated date, payable beginning February 15, 2002, and semiannually thereafter on February 15 and August 15 of each year. Payments of principal of, premium, if any, and interest on the Series 2001A Bonds will be made by the Trustee to Cede & Co., as nominee for DTC, for disbursement to the DTC Participants (as herein defined) for subsequent disbursement to the Beneficial Owners of the Series 2001A Bonds.

The Series 2001A Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity as fully described herein.

Payment, when due, of the principal of and interest on the Series 2001A Bonds will be guaranteed by a policy of financial guaranty insurance to be issued concurrently with the issuance of the Series 2001A by Ambac Assurance Corporation. See **"BOND INSURANCE"** herein.

Ambac

This cover page contains information for reference only. It is not a complete summary of the Series 2001A Bonds. Investors must read the entire Official Statement, including the cover page and Appendices hereto to obtain information essential to making an informed investment decision. Capitalized terms used but not defined on this cover page have the meanings provided herein.

See the inside cover page for maturities, principal amounts, interest rates and yields.

The Series 2001A Bonds are offered when, as and if issued by the Corporation and accepted by the Underwriters, subject to prior placement, withdrawal or modification of the offer without notice, and subject to the approval of the validity of the Series 2001A Bonds by the Hardwick Law Firm, LLC, Kansas City, Missouri and Nixon Peabody LLP, New York, New York, Co-Bond Counsel, and certain other conditions referred to herein. Certain legal matters will be passed upon for the Corporation and the City by the Office of the City Counselor. Certain legal matters will be passed upon for the Underwriters by their co-counsel Caldwell & Singleton, LLC, St. Louis, Missouri and Gallop, Johnson & Neuman, L.C., St. Louis, Missouri. It is expected that the Series 2001A Bonds will be available for delivery to DTC, in New York, New York on or about September 18, 2001.

SIEBERT BRANDFORD SHANK & CO., LLC

A.G.Edwards & Sons, Inc. **The Chapman Company**

Dated: August 28, 2001

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

$62,205,000
ST. LOUIS MUNICIPAL FINANCE CORPORATION
City Justice Center Leasehold Revenue Refunding Bonds, Series 2001A
(City of St. Louis, Missouri, Lessee)

MATURITY (February 15)	PRINCIPAL AMOUNT	INTEREST RATE	YIELD
2006	$ 195,000	3.400%	3.400%
2007	405,000	3.500	3.580
2008	415,000	3.700	3.780
2009	2,995,000	3.800	3.920
2010	3,105,000	4.000	4.040
2011	3,230,000	4.750	4.140
2012	4,430,000	4.750	4.270
2013	6,610,000	5.375	4.380
2014	6,965,000	5.375	4.480
2015	7,340,000	5.250	4.570
2016	7,725,000	5.250	4.650
2017	8,130,000	4.750	4.810
2018	8,515,000	4.750	4.870
2019	2,145,000	4.750	4.900

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2001A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2001A BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON THE EXEMPTION CONTAINED IN SECTION 3(a)(2) OF SUCH ACT. THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT.

No dealer, broker, salesman or other person has been authorized by the Corporation, the City or the Underwriters to give any information or to make any representation with respect to the Series 2001A Bonds offered hereby other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the Series 2001A Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Corporation, the City and from other sources believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or the City since the date hereof (or since the date of any information included herein that is dated other than the date hereof).

THE SERIES 2001A BONDS ARE SPECIAL OBLIGATIONS OF THE CORPORATION PAYABLE ONLY FROM THE SOURCES PLEDGED TO THE TRUSTEE PURSUANT TO THE INDENTURE.

THE CITY OF ST. LOUIS
ELECTED OFFICIALS

Francis G. Slay, Mayor
Darlene Green, Comptroller
James F. Shrewsbury, Acting President of the Board of Aldermen
Larry C. Williams, Treasurer

BOARD OF ALDERMEN

Irene J. Smith	Ward 1	Jennifer Florida	Ward 15
Dionne Flowers	Ward 2	James F. Shrewsbury	Ward 16
Freeman Bosley, Sr.	Ward 3	Joseph D. Roddy	Ward 17
Peggy Ryan	Ward 4	Terry Kennedy	Ward 18
April Ford-Griffin	Ward 5	Michael McMillan	Ward 19
Lewis Reed	Ward 6	Sharon Tyus	Ward 20
Phyllis Young	Ward 7	Melinda Long	Ward 21
Stephen J. Conway	Ward 8	Kenneth Jones	Ward 22
Kenneth Ortmann	Ward 9	James Sondermann	Ward 23
Crai`g Schmid	Ward 10	Tom Bauer	Ward 24
Matt Villa	Ward 11	Dan E. Kirner	Ward 25
Fred Heitert	Ward 12	Irving C. Clay, Jr.	Ward 26
Alfred J. Wessels, Jr.	Ward 13	Gregory J. Carter	Ward 27
Stephen Gregali	Ward 14	Lyda Krewson	Ward 28

ST. LOUIS MUNICIPAL FINANCE CORPORATION
BOARD OF DIRECTORS

Ivy Neyland-Pinkston	President
Catherine Kolb	Vice President
Pam Ross	Vice President
Thomas J. Ray	Secretary
Frank Jackson	Treasurer

CORPORATION'S COUNSEL

Thomas J. Ray, Deputy City Counselor

OTHER CITY REPRESENTATIVES

Elaine Harris Spearman, Esq., Legal Advisor to the Comptroller
Candice Gordon, Accounting Executive

FINANCIAL ADVISORS

P.G. Corbin & Company, Inc.
Philadelphia, Pennsylvania

Columbia Capital Management LLC
St. Louis, Missouri

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OFFICIAL STATEMENT

Relating to

$62,205,000

St. Louis Municipal Finance Corporation

City Justice Center Leasehold Revenue Refunding Bonds, Series 2001A (City of St. Louis, Missouri, Lessee)

INTRODUCTION

The information in this section is furnished solely to provide limited introductory information regarding the terms of St. Louis Municipal Finance Corporation's City Justice Center Leasehold Revenue Refunding Bonds, Series 2001A (City of St. Louis, Missouri, Lessee) (the "Series 2001A Bonds") and does not purport to be comprehensive. Such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the cover page and the Appendices hereto. The order and placement of materials in this Official Statement, including the information on the cover page and the Appendices, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page and Appendices, must be considered in its entirety. Capitalized terms used and not defined herein are defined under the section **"DEFINITIONS OF WORDS AND TERMS"** set forth in Appendix C to this Official Statement.

The Issuer

The issuer of the Series 2001A Bonds is the St. Louis Municipal Finance Corporation, a nonprofit corporation duly organized and existing under Chapter 355 R.S.Mo. (2000, as amended), the Missouri Not For Profit Corporation Act (the "Corporation"). See **"ST. LOUIS MUNICIPAL FINANCE CORPORATION"** herein.

Authorization for the Series 2001A Bonds

The Series 2001A Bonds are issued under the authority of the constitution and laws of the State of Missouri (the "State"), including 100.155 R.S.Mo. (2000, as amended), Ordinance No. 64811, adopted by the Board of Aldermen on December 10, 1999, and approved by the Mayor on December 22, 1999 under which the Series 2001A Bonds were designated as the Series 2000B Bonds (the "Ordinance"), and a resolution of the Board of Directors of the Corporation adopted on August 15, 2001 (the "Resolution"). The Series 2001A Bonds are issued under and secured by an Indenture of Trust, dated as of August 1, 1996 (the "Master Indenture"), as amended and supplemented by a First Supplemental Indenture of Trust, dated as of August 1, 1996 (the "First Supplemental Indenture"), a Second Supplemental Indenture of Trust, dated as of February 1, 2000 (the "Second Supplemental Indenture"), and a Third Supplemental Indenture of Trust, dated as of September 1, 2001 (the "Third Supplemental Indenture"), each by and between the Corporation and UMB Bank, N.A., Kansas City, Missouri, as trustee (the "Trustee"). The Master Indenture, as amended and supplemented by the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture, shall be referred to hereinafter as the "Indenture".

Purposes of the Series 2001A Bonds

The proceeds of the Series 2001A Bonds will be used to refund a portion of the Corporation's City Justice Center Leasehold Revenue Improvement Bonds, Series 1996A (the "Series 1996A Bonds") issued for the constructing and equipping of the Project, as herein defined, and to pay certain costs of issuance of the Series 2001A Bonds. The proceeds of the Series 1996A Bonds were used to finance a portion of the acquisition, construction and equipping of the City Justice Center (defined herein). For a description of the City Justice Center, see **"THE PROJECT"** herein.

Security and Sources of Payment for the Series 2001A Bonds

The Series 2001A Bonds and the interest thereon are special obligations of the Corporation payable solely out of the Rentals and Additional Rentals derived by the Corporation from the leasing of the St. Louis Jail Facilities (as defined herein) to the City pursuant to the Lease Agreement (as defined herein) and other revenues, moneys and receipts derived by the Trustee pursuant to a Pledge Agreement (as defined herein) made by the City to the Trustee. For additional information on the security and sources of payment for the Series 2001A Bonds, see **"SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2001A BONDS"** herein.

Definitions and Summaries of Certain Legal Documents

Summaries of the Series 2001A Bonds, the Indenture, the Lease Agreement and the Pledge Agreement and certain other matters are set forth in Appendix D to this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture, the Lease Agreement, the Base Lease and the Pledge Agreement are qualified in their entirety by reference to such documents, copies of which may be reviewed prior to delivery of the Series 2001A Bonds at the offices of the City's Comptroller, Room 212, City Hall, 1200 Market Street, St. Louis, Missouri 63103, and following delivery of the Series 2001A Bonds at the office of the Trustee, UMB Bank, N.A., St. Louis, Missouri, 2 South Broadway, Suite 435, St. Louis, Missouri 63102, (314) 612-8490, or will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of any cost of complying with such request.

THE PROJECT

The Proceeds of the Series 2001A Bonds will be used to refund a portion of the Series 1996A Bonds the proceeds of which were used to pay the costs of the acquisition, construction and equipping of the City Justice Center correctional facility herein described.

Background

All City correctional facilities are under the supervision of the Corrections Division of Department of Public Safety (the "Department") and directed by institutional superintendents who are responsible for their operation.

Presently, the City has one operational adult correctional facility which is the Medium Security Institution, at 7600 Hall Street, approximately 6 miles from downtown (the "MSI"). The MSI houses a maximum of 851 prisoners. The MSI has a correctional staff of approximately 233 for the prisoner population. The MSI was completed in 1966 and was originally built to house misdemeanor sentenced offenders serving one year or less or City Ordinance violators serving 90 days or less. By 1976, the MSI began housing both pre-trial and sentenced prisoners as the result of efforts of the Department to relieve overcrowding at the City's former municipal jail. In 1996, the City completed a 224-bed expansion of the MSI, bringing its total capacity to the current total of 851 beds.

Despite the efforts of City, State and federal officials and agencies, there is an ongoing problem of jail over-crowding of detainees awaiting trial. The U.S. District Court for the Eighth Circuit (the "District Court") has established ongoing rules for the City to ensure constitutional standards for pre-trial detainees held by the City. The District Court has ordered a short-term plan setting a population cap that meets the constitutional mandate of safe and sanitary conditions for confined prisoners and simultaneously provides safety for the citizens of the City. The City and the District Court recognize that the best and most viable long-term solution to the existing jail over-crowding problem is the construction of a five-floor City Justice Center to be located in downtown St. Louis, Missouri (the "City Justice Center", together with the MSI, the "St. Louis Jail Facilities") and additional detention facilities, if needed. The City anticipates that it has sufficient financing on hand to complete the Project.

Upon its scheduled completion in July, 2002, the City Justice Center will be the City's maximum security facility and will house prisoners charged with "high risk" crimes and awaiting trial or transportation to a state facility or being held for criminal prosecution in other jurisdictions. Presently, pursuant to a contract between the City and St. Louis County, Missouri (the "County"), 256 City prisoners requiring maximum security are being housed in the County's municipal jail facility pending the completion of construction of the City Justice Center. Costs related to this contract are paid from the City's general fund. When construction of the City Justice Center is completed and the facility is rendered operational, the City Justice Center will also be under the supervision of the Corrections Division of the Department.

Description of the City Justice Center

The City Justice Center will replace the former municipal jail and house a total of approximately 845 prisoners. When completed, the City Justice Center will be a major addition to the City's correctional justice system, bringing total detention capacity to approximately 1,696 prisoners. The City Justice Center site is located east of City Hall, south of the former Federal Courthouse and west of the newly constructed Federal Courthouse. This site provides convenient access to both the existing circuit courts and police headquarters and will accommodate a skywalk connection to the former Federal Courthouse upon the planned conversion to a criminal courthouse for the City's 22nd Judicial Circuit. The City Justice Center will serve as a preliminary intake center to determine whether prisoners remanded into custody will stay at the City Justice Center or be transferred to the MSI. Prisoners will be booked and held over as necessary at the City Justice Center.

Upon completion, the City Justice Center will consist of five floors. Prisoners will be located on the third through fifth floors, with each floor containing a mezzanine level and consisting of prisoner pods of 64 beds each. The majority of the prisoner population will reside in pods utilizing direct supervision management techniques with correctional officers located within each pod instead of in closed control booths. By implementing a direct supervision management philosophy, officers will be able to simultaneously control prisoner behavior and minimize tension, thus helping to facilitate the staff's ability to provide proactive control. The fifth floor is designed for housing prisoners requiring special management and pods will be designed to be subdivided into smaller units. Each floor of the City Justice Center will have its own management charged with full administrative, security, programmatic and service delivery responsibilities, which is designed to enhance accountability and create a safer internal environment. All prisoner services will be delivered to the housing floors to minimize prisoner movement. Food, laundry and commissary items will all be delivered directly to the housing pod. Recreation, as required by detention standards, will be provided adjacent to the pod within outdoor/covered exercise areas. Preliminary medical examinations and social worker interviews will be held in small multipurpose rooms attached to each pod. Larger multipurpose rooms are provided for religious and educational programs.

The City Justice Center is designated to meet standards established by the American Correctional Association. The facility is also designed to respond to the aesthetic needs of its prominent location and will provide a civic presence appropriate to the institution of City government. Groundbreaking for the City Justice Center occurred during the summer of 1999. Construction of the Justice Center has been continuous, without delay, on schedule and within budget.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2001A BONDS

General

Pursuant to a Base Lease, dated as of August 1, 1996, as supplemented by that certain First Supplemental Base Lease, dated as of February 1, 2000 (collectively, the "Base Lease"), between the City and the Corporation, the City has leased to the Corporation a leasehold interest in the St. Louis Jail Facilities, including the buildings, structures, improvements and certain equipment and other personal property on which the MSI is located and the real property on which the City Justice Center is presently being built. Pursuant to a Lease Purchase Agreement, dated as of August 1, 1996, as amended and supplemented by that certain First Supplemental Lease Purchase Agreement, dated as of February 1, 2000 (collectively, the "Lease Agreement"), between the City and the Corporation, the Corporation has leased back to the City, the St. Louis Jail Facilities, plus all improvements and installations with respect to the City Justice Center. The Series 2001A Bonds and the interest thereon are special obligations of the Corporation payable solely out of the Rentals and Additional Rentals derived by the Corporation from the leasing of the St. Louis Jail Facilities to the City pursuant to the Lease Agreement and other revenues, moneys and receipts derived by the Trustee pursuant to a Pledge Agreement, dated as of August 1, 1996 (the "Pledge Agreement"), made by the City to the Trustee. The City has covenanted, subject to annual appropriation, to pay Rentals and Additional Rentals at such times and in such amounts as are necessary to assure no default in the payment of principal of, premium, if any, and interest on the Series 2001A Bonds. See **"SUMMARY OF THE LEASE AGREEMENT"** set forth in Appendix D hereto.

THE SERIES 2001A BONDS AND THE INTEREST THEREON SHALL NOT BE A DEBT OF THE CITY OR THE STATE, AND NEITHER THE CITY NOR THE STATE SHALL BE LIABLE THEREON, AND THE SERIES 2001A BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NO INCORPORATOR, MEMBER, AGENT, EMPLOYEE, DIRECTOR OR OFFICER OF THE CORPORATION OR THE CITY SHALL AT ANY TIME OR UNDER ANY CIRCUMSTANCES BE INDIVIDUALLY OR PERSONALLY LIABLE UNDER THE INDENTURE OR THE LEASE AGREEMENT FOR ANYTHING DONE OR OMITTED TO BE DONE BY THE CORPORATION THEREUNDER.

Pursuant to the Lease Agreement, the City has agreed, subject to annual appropriation, to make payments of Rentals and Additional Rentals which obligations of the City have been assigned by the Corporation to the Trustee for the benefit of the Bondholders. For so long as the Series 2001A Bonds are outstanding, the City is required to pay, as Rentals, subject to annual appropriation, to the Trustee, as assignee of the Corporation, amounts corresponding to payments of principal of, premium, if any, and interest on the Bonds as they become due, in immediately available funds, not fewer than five (5) business days before any payment is due. The City covenants that it will pay the Rentals at such times and in such amounts as to assure that no default in the payment of principal of, premium, if any, and interest on the Bonds will occur. If the balance in the Series 2001A Bond Fund Account, after deposits have been made pursuant to the Pledge Agreement, is less than amounts necessary to pay principal of, premium, if any, and interest on the Series 2001A Bonds, the City will pay such deficiency as Rentals. Additional Rentals include, among other things, payments with respect to the Debt Service Reserve Fund, if required. Pursuant to the Pledge Agreement, the City has pledged to the Trustee as additional security for its payment of bonds issued under the Indenture, including the Series 2001A Bonds, certain payments of moneys constituting per diem reimbursements for costs of boarding State prisoners chargeable and billed to the State and credited and payable to the City (the "Pledged Revenues"). See **"SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2001A BONDS - Pledged Revenues"** herein.

Although subject to annual appropriation, the City's obligation to make payments of Rentals and Additional Rentals is absolute and unconditional, free of deductions and without abatement, offset, recoupment, diminution or setoff, and must be sufficient to fund debt service on the Series 2001A Bonds, fund the Debt Service Reserve Fund, if required, and to pay all other amounts required under the Indenture. Although subject to annual appropriation, the City's obligations under the Lease Agreement are additionally not subject to notice or demand, or abatement, offset, deduction, setoff, counterclaim, recoupment or defense of any right of termination or cancellation arising from any circumstance whatsoever, whether existing or arising, and irrespective of whether any portion of the City Justice Center has been started or completed. Additionally, subject to annual appropriation, the City has agreed in the Lease Agreement that to the extent Rentals and Additional Rentals are insufficient to provide the Corporation and the Trustee with funds sufficient to pay the foregoing, the City will pay as Additional Rent, upon demand therefor, such further sums of money as may be required from time to time for such purposes.

THE CITY'S PAYMENT OF RENTALS AND ADDITIONAL RENTALS PURSUANT TO THE LEASE AGREEMENT IS SUBJECT TO ANNUAL APPROPRIATION BY THE CITY. IF THE CITY FAILS TO BUDGET AND APPROPRIATE FUNDS FOR RENTALS AND ADDITIONAL RENTALS IN ANY FISCAL YEAR, THE LEASE AGREEMENT WILL TERMINATE AT THE END OF THE FISCAL YEAR FOR WHICH FUNDS HAVE BEEN APPROPRIATED AND REQUIRE THE CITY TO VACATE THE REAL PROPERTIES, WITH ALL IMPROVEMENTS, WHICH ARE A PART OF THE SECURITY FOR THE 2001A BONDS.

Pledged Revenues

Pursuant to Section 221.105 of the Missouri Revised Statutes (2000, as amended), (the "Reimbursement Statute"), the City is entitled to receive from time to time certain payments of moneys from the State for partial per diem costs paid by the City for boarding State prisoners (the "Pledged Revenues"). The Pledged Revenues are chargeable and billed to the State and credited and payable to the City. Pursuant to the Pledge Agreement, the City has pledged the Pledged Revenues to the Trustee as additional security for all bonds issued under the Indenture, including the Series 2001A Bonds.

The Reimbursement Statute, which went into effect in 1976, authorizes the State, subject to annual appropriation, to reimburse counties that have boarded State prisoners in their jails or medium security prisons. (For purposes of reimbursement, the City is treated as a county.) The City has boarded State prisoners and, accordingly, has received reimbursements under the Reimbursement Statute since its enactment.

The City becomes eligible for payments from the State for State prisoners and prisoners who are held pre-trial on State charges, once they either plead guilty to or are found guilty on State charges. Such prisoners fill approximately 98% of all jail facilities presently in use by the City. The City is also eligible for payments from the State in certain felony cases in which the defendant is acquitted. The City does not, however, receive payments for those prisoners who receive a suspended sentence and are placed on probation, unless and until probation is revoked and the defendant is sentenced to the State penitentiary.

Reasonable projections of future annual City receipts under the Reimbursement Statute can be made by establishing a reimbursement rate, utilizing a weighted average per diem reimbursement rate, average detention population, and the average percentage of the population for which reimbursement is actually received, which is approximately 75% at the present time. The Reimbursement Statute authorizes a maximum reimbursement rate of $37.50 per diem, which is subject to annual appropriation; however, historically, the State legislature has appropriated funds at less than the maximum authorized rate. Since July 1, 1997, the Reimbursement Statute has required the per diem rate to be not less than the amount appropriated in the prior fiscal year; however, in the event of State revenue shortfalls, the Governor of the State has the constitutional power to reduce or withhold payments. The City may receive the reimbursement payments in fiscal periods following those in which the City made expenditures for prisoners eligible for reimbursement, due to the timing of prisoner detention, sentencing, and the City's and State's billing processes.

At the current per diem reimbursement rate of $22.50 and the current City detention capacity of 1,112 beds, the City estimates its fiscal year 2002 reimbursement to be $5.4 million. After completion of the City Justice Center, the City's detention capacity will increase to 1,696 beds. Assuming a $22.50 per diem rate and 75% occupancy at the new capacity, the City expects the reimbursement base will reach $6.3 million in the first full year of operation of the City Justice Center.

In 1996, the State legislature also raised the authorized maximum per diem reimbursement rate from $20 to $37.50 beginning July 1, 1997. Prisoner per diem reimbursement rates have increased during recent fiscal years, but there is no guarantee of any future rate increases. If the State were to appropriate at the maximum level of $37.50, the City estimates the reimbursement base to be $10.6 million based upon the detention capacity after completion of the City Justice Center; however, the current reimbursement rate is $22.50 per diem, as noted above.

[Remainder of this page is intentionally left blank].

The following table represents historic and projected fiscal year per diem reimbursements, as well as the authorized and appropriated per diem rates: (Fiscal year 2001 data is presently unaudited).

Fiscal Year		Prisoner Reimbursements	Appropriated		Authorized Maximum
1994		$2,766,206	$ 14.00		$ 17.00
1995		1,788,515	14.75	(thru 12/31/94)	
			17.00	(beg. 1/1/95)	17.00
1996		4,036,846	17.00		17.00
1997		4,401,601	20.00		20.00
1998		5,646,591	22.00		37.50
1999		5,184,169	22.50		37.50
2000		5,107,984	22.50		37.50
2001		5,383,487	22.50		37.50
2002	(projected)	5,400,000	22.50		37.50
2003	(projected)	6,300,000	22.50		37.50

Funds Created

The Indenture provides for the creation and/or ratification of the following special trust funds and accounts to be designated as follows:

(a) Bond Fund, including two separate and distinct accounts to be designated the "Series 2001A Bond Account" and the "Pledged Revenue Account"; and

(b) Debt Service Reserve Fund; and

(c) Costs of Issuance Fund.

The moneys in the above funds and accounts shall be held by the Trustee and shall be applied in accordance with the provisions of the Indenture and the Lease Agreement. The Escrow Agreement creates an Escrow Account held by the Trustee as Escrow Agent for the Refunded Bonds.

Debt Service Reserve Fund

As additional security for the outstanding City Justice Center Leasehold Revenue Bonds, including the Series 2001A Bonds, the Indenture established the Debt Service Reserve Fund. The Debt Service Reserve Fund requirement attributable to the outstanding Bonds, including the Series 2001A Bonds, the Series 2000 Bonds, the Series 1996A Bonds and the Series1996B Bonds is approximately $12,854.000. This reserve fund deposit was originally funded from the proceeds of the Series 2000 Bonds, the Series 1996A Bonds and the Series 1996B Bonds.

Except as otherwise provided in the Indenture, funds on deposit in the Debt Service Reserve Fund will be used and applied by the Trustee solely to prevent a default in the event moneys on deposit in the Bond Fund, including the Pledged Revenues Account, are insufficient to pay the principal of and interest on all Outstanding Bonds under the Indenture, including the Series 2001A Bonds, when due. Moneys on deposit in the Debt Service Reserve Fund may be used to pay Series 2001A Bonds called for redemption or to purchase Series 2001A Bonds in the open market, prior to their Stated Maturity, provided all Outstanding Bonds under the Indenture, including the Series 2001A Bonds, are called for redemption or purchased and sufficient funds are available therefore. Moneys on deposit in the Debt Service Reserve Fund will be used to pay and retire the Series 2001A Bonds last becoming due unless such Series 2001A Bonds and all interest thereon are otherwise paid. The Trustee is required to value to market, exclusive of accrued interest, on a quarterly basis, Permitted Investments on deposit in the Debt Service Reserve Fund. The City is required to make up any deficiency as Additional Rent no later than the next valuation date.

So long as the sum on deposit in the Debt Service Reserve Fund aggregates an amount equal to the Debt Service Reserve Fund Requirement, no further deposits to the Debt Service Reserve Fund are required. If, however, the Trustee is ever required to withdraw funds from the Debt Service Reserve Fund to prevent a default and the withdrawal of such funds reduces the amount on deposit in the Debt Service Reserve Fund to less than the Debt Service Reserve Fund Requirement, the City shall, in accordance with the Lease Agreement, make up such deficiency by making monthly payments of Additional Rent, commencing on the first day of the calendar month following the date of such withdrawal and continuing on the first day of each month thereafter, in an amount equal to one-twelfth (1/12) of the maximum amount of such deficiency until the amount on deposit in the Debt Service Reserve Fund again aggregates a sum equal to the Debt Service Reserve Fund Requirement.

Other Outstanding Bonds Under the Indenture

In addition to the Series 2001A Bonds, three additional series of parity bonds have been issued under the Indenture and are payable from the Rentals and Pledged Revenues on a parity with the Series 2001A Bonds. The additional parity bonds are the Corporation's Leasehold Revenue Improvement Bonds, Series 1996A, dated as of August 15, 1996, issued in the original principal amount of $75,705,000 which after the refunding will remain outstanding in the aggregate principal amount of $14,625,000; the Corporation's Leasehold Revenue Improvement and Refunding Bonds, Series 1996B, dated as of August 15, 1996, issued in the original principal amount of $34,335,000, and outstanding as of August 1, 2001, in the aggregate principal amount of $27,925,000; and the Corporation's Leasehold Revenue Improvement Bonds, Series 2000A, dated as of February 1, 2000, issued in the original principal amount of $22,025,000, and outstanding as of August 1, 2001, in the aggregate principal amount of $21,410,000 (collectively, the "Outstanding Bonds").

Additional Bonds

So long as no event has occurred and is continuing which, with the passage of time or otherwise, would become an Event of Default under the Indenture or the Lease Agreement (unless such Additional Bonds are Refunding Bonds or are being issued to cure such event), Additional Bonds may be issued under and equally and ratably secured by the Indenture on a parity with the Series 2001A Bonds and any other Outstanding Bonds, at any time and from time to time, upon compliance with the conditions provided in the Indenture for the purpose of:

(a) paying the costs of completing the Project such costs to be evidenced by a certificate signed by a City Representative and a Corporation Representative, with the prior written consent of the Credit Provider; and

(b) providing funds for refunding all or any part of the Bonds of any series then Outstanding, including the payment of any redemption premium thereon and interest to accrue to the designated Redemption Date and any expenses in connection with such refunding.

THE SERIES 2001A BONDS

General

The Series 2001A Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. No Beneficial Owners (as defined herein) will receive certificates representing their respective interest in the Series 2001A Bonds, except in the event the Corporation issues replacement bonds. Ownership and subsequent transfers of ownership will be reflected by book-entry on the records of DTC and the Participants (as defined herein).

The Series 2001A Bonds will be issued in denominations of $5,000 or any integral multiple thereof, will be dated September 1, 2001, and will bear interest on a current basis from that date, payable beginning February 15, 2002, and semi-annually thereafter on each February 15 and August 15, at the rates and will mature on February 15th in the years, set forth on the inside cover page hereof.

The Series 2001A Bonds will be subject to optional redemption, mandatory sinking fund redemption and extraordinary redemption prior to maturity as described below.

Interest on the Series 2001A Bonds will be payable by check or draft mailed to the registered owner as of the close of business the next preceding Record Date. Upon the request of any holder of at least $1,000,000 principal amount of Series 2001A Bonds, payment of interest to such holder will be made by wire transfer. Payment of principal, and premium, if any, of the Series 2001A Bonds will be made by check or draft upon presentation and surrender of the Series 2001A Bonds at the principal corporate trust office of the Trustee.

Optional Redemption

The Series 2001A Bonds bearing a Stated Maturity of February 15, 2012, and before shall not be subject to redemption prior to their Stated Maturities. The Series 2001A Bonds bearing a Stated Maturity of February 15, 2013 and thereafter shall be subject to optional redemption and payment prior to their Stated Maturities at the election of the Corporation, upon direction and instruction by the City, on February 15, 2012, and at any time thereafter, as a whole at any time or in part on any Interest Payment Date and if in part in such order as the Corporation shall determine, upon the direction and instruction by the City in its sole discretion, at the respective redemption prices (expressed as a percentage of principal amount) set forth in the following table, plus accrued interest thereon to the Redemption Date:

Redemption Dates (Both Dates Inclusive)	Redemption Price
February 15, 2012 and thereafter	100%

Extraordinary Redemption

The Series 2001A Bonds are subject to extraordinary redemption and payment prior to their respective Stated Maturities by the Corporation upon instructions from the City on any date, upon the occurrence of any of the following conditions or events, provided the Series 2001A Bonds so redeemed are redeemed and paid according to their terms:

(1) if title to, or the use of, substantially all of the real property with improvements that are part of the security for the 2001A Bonds is condemned by any authority having power of eminent domain;

(2) if the Corporation's interest in substantially all of the above described real property is found to be deficient or nonexistent to the extent that the St. Louis Jail Facilities is untenantable or the efficient utilization of the real property by the City is impaired;

(3) if substantially all of the above described real property are damaged or destroyed by fire or other casualty; or

(4) if as a result of changes in the Constitution of the State of Missouri or legislative or administrative action by the State of Missouri, or any political subdivision thereof, or by the United States, or by reason of any action instituted in any court, the Lease Agreement shall become void or unenforceable, or impossible of performance without unreasonable delay, or in any way, by reason of such change of circumstances, unreasonable burdens or excessive liabilities are imposed on the City or the Corporation.

The Series 2001A Bonds redeemed as described in this paragraph shall be redeemed at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption and payment without a premium.

Selection of Series 2001A Bonds to be Redeemed

Series 2001A Bonds shall be redeemed in their Authorized Denominations. When less than all of the Outstanding Series 2001A Bonds are to be redeemed and paid prior to maturity, such Series 2001A Bonds shall be selected by the Corporation, upon the direction of the City, from the Outstanding Series 2001A Bonds by lot or by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions of the principal of Outstanding Series 2001A Bonds of a denomination larger than $5,000.

Notice and Effect of Call for Redemption

Notice of any redemption of Series 2001A Bonds shall be given by the Trustee, by mailing a copy of the redemption notice by first class mail, postage prepaid, at least thirty (30) days, but not more than sixty (60) days prior to the Redemption Date to each Holder of Series 2001A Bonds to be redeemed at the address appearing on the Bond Register. All notices of redemption shall include information regarding (a) the Redemption Date; (b) the redemption price; (c) if less than all Outstanding Series 2001A Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Series 2001A Bonds to be redeemed; (d) that on the Redemption Date the redemption prices will become due and payable upon such Series 2001A Bonds, and that interest thereon shall cease to accrue from and after said date; and (e) the place where such Series 2001A Bonds are to be surrendered for payment of the redemption price which shall be the principal corporate trust office of the Trustee as Paying Agent.

Prior to any date fixed for redemption pursuant to the Indenture and prior to the giving of notice of redemption of any Series 2001A Bonds, there shall be deposited with the Trustee funds sufficient or United States Government Obligations, maturing as to principal and interest at such times and in such amounts as to provide funds sufficient, to pay the principal of Series 2001A Bonds to be called for redemption and accrued interest thereon the Redemption Date and the redemption premium, if any, provided, however, the requirements for such deposit need not be met to the extent such redemption is to be made with the proceeds of Additional Bonds to be issued to refund all or part of the Series 2001A Bonds to be redeemed. Any redemption pursuant to the Indenture shall be made only from and/or to the extent of the funds or United States Government Obligations so deposited with the Trustee. Upon the happening of the above conditions, and notice having been given as described above, the Series 2001A Bonds or the portions of the principal amount of Series 2001A Bonds thus called for redemption shall cease to bear interest on their Redemption Date, provided funds or United States Governmental Obligation sufficient for the payment of principal of, redemption premium, if any, and accrued interest are on deposit at the place of payment at that time, and shall no longer be entitled to the protection, benefit or security of the Indenture and shall not be deemed to be Outstanding under the Indenture.

Registration, Transfer and Exchange

The registration of the transfer of any Series 2001A Bond may be made only upon surrender of the Series 2001A Bonds to the Trustee duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Trustee. Series 2001A Bonds may be exchanged for other Series 2001A Bonds of any denomination authorized by the Indenture in the same aggregate principal amount, stated maturity, and series upon presentation to the Trustee, subject to the terms, conditions and limitations of the Indenture and upon payment of any tax or other governmental charge required to be paid with respect to any such exchange or registration of transfer. The record date for the payment of interest on the Series 2001A Bonds is the first day (whether or not a Business Day) of the calendar month of each interest payment date. The Series 2001A Bonds are being issued in book-entry only form with a single global bond certificate for each maturity of the Series 2001A Bonds to be delivered by the Corporation to the initial purchasers for deposit with The Depository Trust Company ("DTC"). The Series 2001A Bonds shall be registered on the Bond Register in the name of Cede & Co., as nominee of DTC. For so long as Cede & Co. is the registered owner of the Series 2001A Bonds, all such payments will be made to Cede & Co.

Book-Entry Only System

DTC will act as securities depository for the Series 2001A Bonds. The Series 2001A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered bond certificate will be issued for each maturity of the Series 2001A Bonds, each in the aggregate principal amount of such maturity of the Series 2001A Bonds and will be deposited with DTC or its agent.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2001A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2001A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2001A Bond (the "Beneficial Owner") is, in turn, to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2001A Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Series 2001A Bonds, except in the event that use of the book-entry system for the Series 2001A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2001A Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of the Series 2001A Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2001A Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts the Series 2001A Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to Cede & Co. If less than all of the Series 2001A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Series 2001A Bonds. Under its usual procedure, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2001A Bonds are credited on the record date (identified in a listing attesting to the Omnibus Proxy).

Principal of and interest payments on the Series 2001A Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2001A Bonds at any time by giving reasonable notice to the Corporation and the Trustee. Under such circumstances, the Trustee may make arrangements with a successor securities depository that operates upon reasonable and customary terms. If no such arrangements are made, Series 2001A Bonds are required to be delivered as described in the Indenture. The Beneficial Owner, upon registration of the Series 2001A Bonds held in the Beneficial Owner's name, shall become the owner thereof under the Indenture.

The Corporation may determine to discontinue the system of book-entry transfers through DTC (or a successor securities depository). In such event, the Series 2001A Bonds are to be delivered as described in the Indenture and the Trustee is entitled to rely on information provided by DTC and the Participants as to the names and principal amounts in which the Series 2001A Bonds are to be registered.

The Corporation and the Trustee cannot and do not give any assurances that DTC, the Participants or others will distribute payments on the Series 2001A Bonds made to DTC or its nominee, as the registered owner, or any notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC and the Participants, or any successor depository, will serve and act in a manner described in this Official Statement.

NEITHER THE CORPORATION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS.

ANY REFERENCES IN THIS OFFICIAL STATEMENT TO NOTICES THAT ARE TO BE GIVEN TO OWNERS BY THE TRUSTEE WILL BE GIVEN ONLY TO DTC. DTC WILL BE EXPECTED TO FORWARD (OR CAUSE TO BE FORWARDED) THE NOTICE TO THE PARTICIPANTS BY ITS USUAL PROCEDURES SO THAT SUCH PARTICIPANTS MAY FORWARD (OR CAUSE TO BE FORWARDED) THE NOTICES TO THE BENEFICIAL OWNERS. THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ASSURE THAT ANY SUCH NOTICE IS FORWARDED BY DTC TO THE PARTICIPANTS OR BY ANY PARTICIPANT TO THE BENEFICIAL OWNER. ANY FAILURE BY DTC TO ADVISE ANY PARTICIPANT, OR BY ANY PARTICIPANT TO NOTIFY THE BENEFICIAL OWNER, OF ANY SUCH NOTICE AND ITS CONTENT OR EFFECT SHALL NOT AFFECT THE VALIDITY OF ANY ACTION PREMISED ON SUCH NOTICE.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CORPORATION AND THE TRUSTEE BELIEVE TO BE RELIABLE, BUT THE CORPORATION AND THE TRUSTEE TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF, AND NEITHER THE PARTICIPANTS NOR THE BENEFICIAL OWNERS SHOULD RELY ON THE FOREGOING INFORMATION WITH RESPECT TO SUCH MATTERS, BUT SHOULD INSTEAD CONFIRM THE SAME WITH DTC OR THE PARTICIPANTS, AS THE CASE MAY BE.

BOND INSURANCE

Payment of principal of and interest on the Series 2001A Bonds, excluding premium, if any, are insured pursuant to a Financial Guaranty Insurance Policy (the "Policy") of Ambac Assurance Corporation (referred to herein as "Ambac Assurance") issued concurrently with the issuance of the Series 2001A Bonds.

Set forth below is a brief summary of certain information concerning Ambac Assurance and the terms of the Policy provided by Ambac Assurance. Information with respect to Ambac Assurance has been supplied to the Corporation by Ambac Assurance. The following discussion does not purport to be complete and is qualified in its entirety by reference to the Policy.

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy relating to the Series 2001A Bonds effective as of the date of issuance of the Series 2001A Bonds. Under the terms of the Policy, Ambac

Assurance will pay to The Bank of New York, New York, or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Series 2001A Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Corporation (as such terms are defined in the Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee/Paying Agent. The insurance will extend for the term of the Series 2001A Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 2001A Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 2001A Bonds, Ambac Assurance will remain obligated to pay principal of and interest on any such outstanding Series 2001A Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series 2001A Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has noticed that any payment of principal of or interest on a Series 2001A Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Corporation has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.

2. payment of any redemption, prepayment or acceleration premium.

3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee or Paying Agent, if any.

If it becomes necessary to call upon the Policy, payment of principal requires surrender of Series 2001A Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 2001A Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Policy. Payment of interest pursuant to the Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Series 2001A Bonds, appurtenant coupons, if any, or right to payment of principal or interest on such Series 2001A Bonds and will be fully subrogated to the surrendering Holder's rights to payment.

Ambac Assurance Corporation

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately **$4,565,000,000** (unaudited) and statutory capital of approximately **$2,787,000,000** (unaudited) as of March 31, 2001. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Ratings Services, a Division of The McGraw-Hill Companies, and Moody's Investors Service, Inc. have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Corporation. **No representation is made by Ambac Assurance regarding the federal income tax treatment of payments that are made by Ambac Assurance under the terms of the Policy due to nonappropriation of funds by the Lessee.**

Ambac Assurance makes no representation regarding the Series 2001A Bonds or the advisability of investing in the Series 2001A Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "BOND INSURANCE."

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at 7 World Trade Center, New York, New York 10048, and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the offices of the New York Stock Exchange, Inc. (the "NYSE") at 20 Broad Street, New York, New York 10005. The Company's Common Stock is listed on the NYSE.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Commission (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Current Report on Form 8-K dated January 24, 2001 and filed on January 24, 2001;

2. The Company's Current Report on Form 8-K dated March 19, 2001 and filed on March 19, 2001;

3. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 and filed on March 28, 2001; and

4. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2001 and filed on May 15, 2001.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in **"Available Information"**.

PLAN OF REFUNDING

A portion of the Series 2001A Bond proceeds will be deposited into an escrow account (the "Escrow Account") created pursuant to an escrow agreement dated as of September 1, 2001 (the "Escrow Agreement"), among the City, the Corporation and UMB Bank, N.A., Kansas City, Missouri (the "Escrow Agent") and will be used, together with other amounts deposited into the Escrow Account plus interest earnings thereon, to refund all of the Corporation's outstanding Series 1996A Bonds maturing on February 15 of the years 2009 through 2019, inclusive (collectively, the "Refunded Series 1996A Bonds").

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds:	
Par Amount of Series 2001A Bonds	$62,205,000.00
Net Original Issue Premium	1,934,835.90
Accrued Interest	144,080.37
TOTAL SOURCES OF FUNDS	$64,283,916.27
Uses of Funds:	
Deposit to Escrow Account	$62,789,000.00
Deposit to Debt Service Fund	144,080.37
Costs of Issuance[1]	1,350,835.90
TOTAL USES OF FUNDS	$64,283,916.27

Includes underwriting discount, financial guaranty insurance policy premium and other costs of issuance associated with the Series 2001A Bonds.

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DEBT SERVICE REQUIREMENTS FOR THE SERIES 2001A BONDS

The following table shows the remaining annual debt service of the Corporation for its Outstanding Bonds issued under the Indenture, annual debt service for the Series 2001A Bonds and total debt service for the fiscal years set forth below:

Fiscal Year	1996A After Refunding*	1996B Debt Service	2000A Debt Service	2001A Debt Service	Total Debt Service
2002	2,179,022.50	2,521,793.75	1,277,426.88	1,389,951.82	7,368,194.95
2003	2,565,090.00	3,252,667.50	1,863,113.76	3,051,113.76	10,731,985.02
2004	2,560,840.00	3,255,792.50	1,864,273.76	3,051,113.76	10,732,020.02
2005	2,565,115.00	3,252,292.50	1,863,033.76	3,051,113.76	10,731,555.02
2006	2,561,955.00	3,251,977.50	1,864,323.76	3,246,113.76	10,924,370.02
2007	2,561,150.00	3,254,137.50	1,862,823.76	3,449,483.76	11,127,595.02
2008	2,560,800.00	3,254,175.00	1,863,453.76	3,445,308.76	11,123,737.52
2009		3,251,710.00	1,866,331.26	6,009,953.76	11,127,995.02
2010		3,255,090.00	1,865,668.76	6,006,143.76	11,126,902.52
2011		3,255,910.00	1,866,873.76	6,006,943.76	11,129,727.52
2012		5,638,900.00	1,864,093.76	7,053,518.76	14,556,512.52
2013			1,867,218.76	9,023,093.76	10,890,312.52
2014			1,866,768.76	9,022,806.26	10,889,575.02
2015			1,866,175.00	9,023,437.50	10,889,612.50
2016			1,863,362.50	9,023,087.50	10,886,450.00
2017			1,867,575.00	9,022,525.00	10,890,100.00
2018			1,866,900.00	9,021,350.00	10,888,250.00
2019			1,866,337.50	2,246,887.50	4,113,225.00
2020			1,865,600.00		1,865,600.00
	17,553,972.50	37,444,446.25	34,851,354.50	102,143,946.94	191,993,720.19

* Maturities 2009 through 2019 were advanced refunded with this issue.

BONDHOLDERS' RISKS

The Series 2001A Bonds involve certain risks, and the discussion below should be reviewed in evaluating these risks. The Series 2001A Bonds may not be suitable investments for all persons, and prospective purchasers should carefully evaluate the risks and merits of an investment in the Series 2001A Bonds and should confer with their own legal and financial advisors. The following discussion of risk factors is not intended to be exhaustive.

General

The Series 2001A Bonds are special, limited obligations of the Corporation, payable solely out of the Rentals and Additional Rentals derived by the Corporation from the City pursuant to the Lease Agreement and are secured by a pledge and assignment pursuant to the Indenture of the Trust Estate to the Trustee. No representation or assurance can be given that the City will appropriate revenues in amounts sufficient to make such payments under the Lease Agreement. The appropriation by the City of future revenues to be paid under the Lease Agreement is dependent upon, among other things, government regulations, the capabilities of the management of the City, and future changes in economic and other conditions that are unpredictable and cannot be determined at this time. The Corporation has no taxing power, the Series 2001A Bonds and the interest thereon are not a debt of the City or the State and neither the City nor the State is liable thereon, and the Series 2001A Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Event of Non-Appropriation

No representation or assurance can be given that the City will appropriate revenues in amounts sufficient to make payments of Rentals and Additional Rentals under the Lease Agreement. The appropriation by the City of future revenues to be paid under the Lease Agreement is dependent upon, among other things, government regulations, the capabilities of the management of the City and future changes in economic and other conditions that are unpredictable and cannot be determined at this time. Failure by the City to appropriate funds in any fiscal year to make payments of Rentals and Additional Rentals when due constitutes an Event of Non-Appropriation under the Lease Agreement pursuant to which the Trustee may terminate the Lease Agreement and require the City to vacate the St. Louis Jail Facilities.

No Restrictions on Use of Facility After Default Under Lease Agreement

If an Event of Default occurs for any reason with respect to the City under the Lease Agreement or if the City terminates the Lease Agreement and fails to purchase the Corporation's interest in the St. Louis Jail Facilities, the Corporation has the right to possession of the St. Louis Jail Facilities for the remainder of the Base Lease Term and may sublease the property or sell its interest in the Base Lease or the property upon whatever terms and conditions it deems prudent. If the Corporation assigns or sells its interest in the St. Louis Jail Facilities under these circumstances, no assurances can be given that in the event of such a transfer, interest on the Series 2001A Bonds would continue to be exempt from federal and State income taxation.

Certain Matters Relating to Enforceability

The remedies available upon a default under the Indenture, the Lease Agreement and the Pledge Agreement will, in many respects, be dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including the United States Bankruptcy Code and State laws concerning the use of assets of certain organizations, the remedies specified in the Indenture, the Lease Agreement and Pledge Agreement may not be readily available or may be limited. The various legal opinions to be delivered in connection with the issuance of the Series 2001A Bonds will be expressly subject to the qualification that the enforceability of the Indenture, the Lease Agreement, the Pledge Agreement and other legal documents is limited by bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting the rights of creditors and by the exercise of judicial discretion in appropriate cases.

ST. LOUIS MUNICIPAL FINANCE CORPORATION

Organization, Powers and Purposes

The Corporation, a nonprofit corporation duly organized in 1991 and existing under the laws of the State, was created to lessen the burden of the government of the City by financing or acquiring, leasing or subleasing real property and any improvements and personal property thereon, to the City. In furtherance of its purposes, the Corporation may borrow money, invest, disburse funds and issue bonds. Neither the Board of Directors of the Corporation (the "Board of Directors") nor any person executing the Series 2001A Bonds is personally liable on the Series 2001A Bonds by reason of the issuance thereof. The Series 2001A Bonds are being issued by the Corporation and will not constitute a debt, liability or obligation of the City or the State. The Corporation has by proper corporate actions of its officers been duly authorized to execute and deliver the Lease Agreement, the Base Lease and the Indenture.

Board of Directors/Officers

The property and day-to-day affairs of the Corporation are governed and managed by its Board of Directors. The Board of Directors is comprised of five persons who serve by virtue of their position within the City government for so long as they hold their respective positions:

1) The Mayor of the City or designee.

2) The Comptroller of the City or designee.

3) The President of the Board of Aldermen or designee.

4) The City Counselor of the City or designee.

5) The Budget Director of the City or designee.

The officers of the Corporation include a President, two Vice Presidents, a Treasurer and a Secretary who are chosen by vote of a majority of the directors in office. The officers hold their respective offices for a term of three years. In addition, the Board of Directors may appoint such other officers and agents as it deems necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

FINANCIAL STATEMENTS

The audited financial statements of the City and the related report of the City's independent certified public accountants for the fiscal year ended June 30, 2000, are included in Appendix B hereto. The City's independent public accountants have not audited any financial statements of the City for any period subsequent to June 30, 2000, and have not conducted any procedures with respect to the fiscal year 2000 financial statements subsequent to their audit.

THE TRUSTEE

UMB Bank, N.A., Kansas City, Missouri, is acting as the Trustee for the Series 2001A Bonds.

RATING

Moody's Investors Service, Inc. has assigned a rating of "Aaa" to the Series 2001A Bonds, with the understanding that, upon delivery of the Series 2001A Bonds, a Financial Guarantee Insurance Policy will be issued by AMBAC Assurance. Such rating reflects only the view of such organization and any desired explanation of the significance of the rating should be obtained from the rating agency, at the following address: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2001A Bonds.

LITIGATION

There is not now pending or, to the knowledge of the Corporation or the City, threatened, any litigation seeking to restrain or enjoin or in any way limit the approval or the issuance, execution and delivery of the Series 2001A Bonds, the preparation, execution and delivery of this Official Statement or the proceedings or authority under which they are to be issued. There is no litigation pending or, to the knowledge of the Corporation, threatened, in any manner challenging or threatening the powers of the Corporation, restraining or enjoining the issuance or delivery of the Series 2001A Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which they are to be issued.

No litigation, proceedings or investigations are pending or, to the knowledge of the City, threatened against the City or its officers or property, except litigation, proceedings or investigations being defended by or on behalf of the City in which the probable ultimate recoveries and the ultimate costs and expenses of defense, in the opinion of the City Counselor, will not have a material adverse effect on the operations or condition, financial or otherwise, of the City. No litigation, investigation or proceeding is now pending or, to the knowledge of the City, threatened against the City which would in any manner challenge or adversely affect the corporate existence or powers of the City to enter into and carry out the transactions described in or contemplated by, the execution, delivery, validity or performance by the City of the Base Lease and the Lease Agreement. (See **"Appendix A – INFORMATION**

CONCERNING THE CITY OF ST. LOUIS, MISSOURI – "Insurance" and "Litigation" for a more detailed discussion.)

VERIFICATION OF ARITHMETIC AND MATHEMATICAL COMPUTATIONS

The accuracy of the arithmetic and mathematical computations (a) of the adequacy of the maturing principal amounts of the securities on deposit in the Escrow Account, together with the interest income thereon, if any, and uninvested cash, if any, to pay, the principal of, interest and premium on the City's outstanding Series 1996A Bonds, to and including the redemption date of February 15, 2006, and (b) the yields on the Series 2001A Bonds and the securities on deposit in the Escrow Account have been verified by McGladrey & Pullen, LLP. Such verification of arithmetic accuracy and mathematical computations is based upon information and assumptions supplied by the Corporation and the City. McGladrey & Pullen, LLP has restricted its procedures to verifying the accuracy of certain mathematical computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed any opinion on the data used, the reasonableness of the assumptions or the achievability of the anticipated outcome.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale of the Series 2001A Bonds are subject to the approving legal opinion of the Hardwick Law Firm, LLC, Kansas City, Missouri and Nixon Peabody LLP, New York, New York, Co-Bond Counsel, whose approving opinions will be delivered with the Series 2001A Bonds. The expected form of the opinions of Co-Bond Counsel is attached as Appendix E hereto. Certain legal matters will be passed upon for the Corporation and for the City by the Office of the City Counselor. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Caldwell & Singleton, LLC, St. Louis, Missouri and Gallop, Johnson & Neuman, L.C., St. Louis, Missouri.

Co-Bond Counsel have not assisted in the preparation of this Official Statement except those portions of this Official Statement under the captions **"THE SERIES 2001A BONDS"**, **"SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2001A BONDS"**, **"APPROVAL OF LEGAL PROCEEDINGS"**, **"TAX MATTERS"**, **Appendix C – "DEFINITIONS OF WORDS AND TERMS"** and **Appendix E – "FORM OF OPINION OF CO-BOND COUNSEL"** hereof, and, therefore, express no opinion as to the sufficiency or accuracy of any other material or information, including financial and statistical information, included herein.

TAX MATTERS

Federal Income Taxes. The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2001A Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2001A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2001A Bonds. The Corporation and the City have each covenanted in the Indenture and the Lease Agreement to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2001A Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code.

In the opinion of the Hardwick Law Firm, LLC and Nixon Peabody LLP, Co-Bond Counsel, under existing law and assuming compliance with the aforementioned covenants, interest on the Series 2001A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Co-Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2001A Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

State Taxes. Co-Bond Counsel are also of the opinion that interest on the Series 2001A Bonds is not includable in Missouri taxable income for purposes of the income tax imposed by the State of Missouri.

Original Issue Premium. The Series 2001A Bonds maturing February 15, 2011 through February 15, 2016, inclusive, (collectively, the "Premium Bonds"), are being offered at prices in excess of their principal amounts. Co-Bond Counsel are of the opinion that an initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for Federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving affect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Series 2001A Bonds. Owners of the Premium Bonds are advised that they should consult with their own tax advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Certain Federal Tax Information

General. The following is a discussion of certain additional tax matters under existing statutes. It does not purport to deal with all aspects of federal taxation that may be relevant to particular investors. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2001A Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Social Security and Railroad Retirement Payments. The Code provides that interest on tax-exempt obligations is included in the calculation of modified adjusted gross income in determining whether a portion of Social Security or railroad retirement benefits received are to be included in taxable income.

Branch Profits Tax. The Code provides that interest on tax-exempt obligations is included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States.

Borrowed Funds. The Code provides that interest paid (or deemed paid) on borrowed funds used during a tax year to purchase or carry tax-exempt obligations is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

Property and Casualty Insurance Companies. The Code contains provisions relating to property and casualty insurance companies whereunder the amount of certain loss deductions otherwise allowed is reduced (in certain cases below zero) by a specified percentage of, among other things, interest on tax-exempt obligations acquired after August 7, 1986.

Financial Institutions. The Code provides that commercial banks, thrift institutions and other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than certain "qualified" obligations. The Series 2001A Bonds are not "qualified" obligations for this purpose.

S Corporations. The Code imposes a tax on excess net passive income of certain S corporations that have subchapter C earnings and profits. Interest on tax-exempt obligations must be included in passive investment income for purposes of this tax.

Earned Income Credit. For any taxable year beginning after December 31, 1995, the Code denies the earned income credit to persons otherwise eligible for it if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds $2,200, subject to adjustment for inflation for taxable years beginning after December 31, 1996. Interest on the Series 2001A Bonds will constitute disqualified income for this purpose.

Changes in Federal Tax Law and Post-Issuance Events. From time to time proposals are introduced in Congress that, if enacted into law, could have an adverse impact on the potential benefits of the exclusion from gross income for federal income tax purposes of the interest on the Series 2001A Bonds, and thus on the economic value of the Series 2001A Bonds. This could result from reductions in federal income tax rates, changes in the structure of the federal income tax rates, changes in the structure of the federal income tax or its replacement with another type of tax, repeal of the exclusion of the interest on the Series 2001A Bonds from gross income for such purposes, or otherwise. It is not possible to predict whether any legislation having an adverse impact on the tax treatment of holders of the Series 2001A Bonds may be proposed or enacted.

Co-Bond Counsel have not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2001A Bonds may affect the tax status of interest on the Series 2001A Bonds. Co-Bond Counsel express no opinion as to any federal, state or local tax law consequences with respect to the Series 2001A Bonds, or the interest thereon, if any action is taken with respect to the Series 2001A Bonds or the proceeds thereof upon the advice or approval of other counsel.

FINANCIAL ADVISORS

P.G. Corbin & Company, Inc., Philadelphia, Pennsylvania and Columbia Capital, LLC, St. Louis, Missouri (the "Financial Advisors"), have been retained to render certain professional services to the City. The Financial Advisors have provided advice on the plan of financing and structure of the Series 2001A Bonds and have assisted in the preparation of this Official Statement. The information set forth herein has been obtained from the Corporation, the City and other sources which are believed to be reliable. The Financial Advisors have not independently verified the factual information contained in this Official Statement, but have relied on the information supplied by the Corporation, the City and other sources who have certified that such information contains no material misstatement of information.

UNDERWRITING

Siebert Brandford Shank & Co., LLC and the other underwriters listed on the cover of this Official Statement (collectively, the "Underwriters"), have agreed to purchase the Series 2001A Bonds from the Corporation at an aggregate purchase price equal to $63,873,363.27 (which includes an underwriters' discount, net original issue premium, plus accrued interest thereon to the date of delivery) pursuant to a Bond Purchase Agreement with the Corporation and the City (the "Bond Purchase Agreement"). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2001A Bonds if any are purchased.

The Series 2001A Bonds are being purchased by the Underwriters from the Corporation for resale in the normal course of the Underwriters' business activities. The Underwriters reserve the right to offer any of the Series 2001A Bonds to one or more purchasers on such terms and conditions and at such price or prices as the Underwriters determine.

CERTAIN RELATIONSHIPS

Caldwell & Singleton, LLC, St. Louis, Missouri and Gallop, Johnson, & Neuman, L.C., St. Louis, Missouri, are serving as co-counsel to the Underwriters in connection with the issuance of the Series 2001A Bonds. Both Caldwell & Singleton, LLC and Gallop, Johnson & Neuman, L.C. also represent the City from time to time on other transactions or matters.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of Holders and Beneficial Owners of the Series 2001A Bonds to provide (i) certain financial information and operating data relating to the City and the Corporation by not later than 210 days following the end of the City's Fiscal Year (which currently ends on June 30 of each year) (the "Annual Report"), commencing with the report for the 2001 Fiscal Year, and (ii) notice of the occurrence of certain enumerated events, if material. The Annual Report will be filed by or on behalf of the City with each Nationally Recognized Municipal Securities Information Repository and State Repository, if any. The notices of material events will be filed by or on behalf of the City with the Municipal Securities Rulemaking Board (or to each Nationally

Recognized Municipal Securities Information Repository) and State Repository, if any. Any default in compliance with such covenants shall not be deemed an Event of Default under the Indenture, and the sole remedy in the event of any failure of the City or the Trustee, as dissemination agent (the "Dissemination Agent') to comply with such covenants shall be an action to compel performance. These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule"). The City has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

The Annual Report will contain or include by reference:

(1) The audited financial statements of the City for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report will contain unaudited financial statements and the audited financial statements will be filed in the same manner as the Annual Report when they become available.

(2) Certain statistical and operating data of the City updated for the prior Fiscal Year in substantially the scope and form contained in Appendix A to the final Official Statement in tables under the sections captioned:

(a) "ECONOMIC AND DEMOGRAPHIC DATA:" "Population and Other Statistics," "Employment," "Major Employers," "Economic Development," "Major Taxpayers," and "Budget and Construction Data;"

(b) "FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS:" "General Revenue Fund;"

(c) "GENERAL REVENUE RECEIPTS:" "General Revenue Fund Receipts by Category," "Earnings Tax," "Franchise Tax," "Sales Tax," "Gross Receipts Tax," "Motor Vehicle Sales Tax," "Motor Fuel Tax," "Real and Personal Property Taxes," "Payroll Tax," "Other Taxes," "License Fees," "Departmental Receipts," and "Operating Transfers;"

(c) "RETIREMENT SYSTEMS;"

(d) "INSURANCE;" and

(e) "LITIGATION."

(3) Certain statistical and operating data of the City updated for the prior Fiscal Year in substantially the scope and form contained in the final Official Statement in tables under the section captioned **"SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2001A BONDS"**.

In addition, the City will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2001A Bonds, if material (each a "Material Event"):

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. modifications to rights of holders of the Series 2001A Bonds;
4. optional, contingent or unscheduled bond calls;
5. defeasances;
6. rating changes;
7. adverse tax opinions or events affecting the tax-exempt status of the Series 2001A Bonds;

8. unscheduled draws on debt service reserves reflecting financial difficulties;

9. unscheduled draws on credit enhancements reflecting financial difficulties;

10. substitution of credit or liquidity providers, or their failure to perform; or

11. release, substitution or sale of property securing repayment of the Series 2001A Bonds.

If the Dissemination Agent has been instructed by the City to report the occurrence of a Material Event, the Dissemination Agent shall promptly file a notice of such occurrence with each National Recognized Securities Information Repository or the Municipal Securities Rulemaking Board and the State Repository, if any, with a copy to the City.

The City may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such dissemination agent, with or without appointing a successor dissemination agent. The dissemination agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to the Continuing Disclosure Agreement. The initial dissemination agent shall be the Trustee.

Notwithstanding any other provision of the Continuing Disclosure Agreement, the City and the dissemination agent may amend the Continuing Disclosure Agreement (and the dissemination agent shall agree to any amendment so requested by the City) and any provisions of the Continuing Disclosure Agreement may be waived, provided Co-Bond Counsel or other counsel experienced in federal securities law matters provides the dissemination agent with its opinion that the undertaking of the City, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to the Continuing Disclosure Agreement.

In the event of a failure of the City or the dissemination agent to comply with any provision of the Continuing Disclosure Agreement, the Trustee may (and, at the request of any Underwriter or the owners of at least 25% aggregate principal amount of outstanding Series 2001A Bonds, shall), or any owner or Beneficial Owner of Series 2001A Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the dissemination agent, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the dissemination agent to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

MISCELLANEOUS

References herein to the Indenture, the Base Lease, the Lease Agreement, the Pledge Agreement and the Series 2001A Bonds are brief descriptions of certain provisions thereof. Such descriptions do not purport to be complete, and reference is made to such documents for full and complete statements of such provisions. Copies of these documents are on file at the offices of the City's Comptroller, Room 212, City Hall, 1200 Market Street, St. Louis, Missouri 63103, and following delivery of the Series 2001A Bonds will be on file at the principal corporate trust office of the Trustee.

Any statements made in this Official Statement involving matters of opinion, projections or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The cover page hereof and attached Appendices A, B, C, D, E and F are integral parts of this Official Statement and must be read together with all of the foregoing statements.

It is anticipated that CUSIP identification numbers will be delivered with the Series 2001A Bonds, but neither the failure to print such numbers on any Series 2001A Bonds, nor any error in printing of such numbers will constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Series 2001A Bonds.

This Official Statement, its execution, and its delivery to and distribution by the Underwriters to prospective purchasers of the Series 2001A Bonds, have been approved and authorized by the Corporation and the City.

ST. LOUIS MUNICIPAL FINANCE CORPORATION

By: ______________________________
President

CITY OF ST. LOUIS, MISSOURI

By: ______________________________
Mayor

By: ______________________________
Comptroller

By: ______________________________
Treasurer

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APPENDIX A

INFORMATION REGARDING THE CITY OF ST. LOUIS, MISSOURI

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APPENDIX A

INFORMATION REGARDING THE CITY OF ST. LOUIS

The information contained in this Appendix relates to and has been obtained from The City of St. Louis, Missouri (the "City"). The delivery of this Official Statement will not create any implication that there has been no change in the affairs of the City since the date hereof or that the information contained or incorporated by reference in this Appendix is correct as of any time subsequent to its date.

ORGANIZATION AND GOVERNMENT

General

The City is located on the Mississippi River, the eastern boundary of the State of Missouri, just below its confluence with the Missouri River. The City occupies approximately 61.4 square miles of land, and its area has remained constant since 1876. The City, a constitutional charter city not a part of any county, is organized and exists under and pursuant to its Charter and the Constitution and the laws of the State of Missouri.

The City is popularly known as the "Gateway to the West," due to its central location and historical role in the nation's westward expansion. Commemorating this role is the 630-foot stainless steel Gateway Arch, the world's tallest man-made monument, which is the focal point of the 86-acre Jefferson National Expansion Memorial on the downtown riverfront.

Government

The City's system of government is provided for in its Charter, which first became effective in 1914 and has subsequently been amended from time to time by the City's voters.

The Mayor, elected at large for a four-year term, is the chief executive officer of the City. The Mayor appoints most department heads, municipal court judges and various members of the City's boards and commissions. The Mayor possesses the executive powers of the City, which are exercised by the boards, commissions, officers and departments of the City under his general supervision and control.

The Comptroller is the City's chief fiscal officer, and is elected at large for a four-year term. The Comptroller is, by Charter, Chairman of the Department of Finance for the City and also has broad investigative audit powers over City departments and agencies. The Comptroller also has administrative responsibility for all of the City's contracts, financial departments and accounting procedures.

The legislative body of the City is the Board of Aldermen. The Board of Aldermen is comprised of 28 Aldermen and a President. One Alderman is elected from each of the City's 28 wards to serve a four-year term, one-half of which wards elects Aldermen bi-annually. The President of the Board of Aldermen is elected at large to serve a four-year term. The President is the presiding officer of the Board of Aldermen.

The Board of Aldermen may adopt bills or ordinances which the Mayor may either approve or veto. Ordinances may be enacted by the Board of Aldermen over the Mayor's veto by a two-thirds vote.

The Board of Estimate and Apportionment is primarily responsible for the finances of the City. The Board of Estimate and Apportionment is comprised of the Mayor, the Comptroller and the President of the Board of Aldermen. For more detailed information regarding the responsibilities of the Board of Estimate and Apportionment, see **"FINANCIAL MANAGEMENT AND EXPENDITURES CONTROLS -- Budget Process"** herein.

While most governmental functions of the City are controlled by the Mayor, the Comptroller, the Board of Estimate and Apportionment and the Board of Aldermen, the appointment of certain officials, whose decisions may also affect the City as a whole, including the members of the Board of Police Commissioners (the "Police Board"), and the Board of Election Commissioners, is made by the Governor of the State of Missouri. The Sheriff, Treasurer, Collector of Revenue, License Collector, Circuit Clerk, Circuit Attorney and Recorder of Deeds of the City are elected independently for four-year terms.

MUNICIPAL SERVICES

General

The City provides a wide range of municipal and county services, including police and fire protection, non-commercial refuse collection, park and recreational facilities, forestry services, social services, street and other public lighting, traffic control and street maintenance.

Water and Sewer/Transportation

The City operates a water utility and Lambert-St. Louis International Airport (the "Airport"), both of which are self-supporting enterprises. All of the airport facilities and portions of the water utility facilities are located in St. Louis County on property owned by the City. Sewage and drainage facilities in the City and in adjacent St. Louis County are operated by The Metropolitan St. Louis Sewer District, a separate taxing authority established under Section 30 of Article VI of the Constitution of Missouri and financed by ad valorem taxes and user fees. Public transportation facilities for the City and much of the surrounding metropolitan area are operated by the Bi-State Development Agency of the Missouri-Illinois Metropolitan District (the "Bi-State Development Agency"). For additional information on the Bi-State Development Agency, see "Local Governmental Commissions and Agencies" herein.

Fire Protection

The Fire Department of the City of St. Louis provides fire protection throughout the corporate limits of the City as well as to the Airport. Services to the City are provided from 30 fire stations currently manned by approximately 631 full-time fire fighters.

Education

The public school systems within the City are operated under the administration and control of The School District of the City of St. Louis and The Junior College District of St. Louis and St. Louis County. These districts are independent of the City, having their own elected or appointed officials, budgets and administrators. These districts are empowered to levy taxes, separate and distinct from those levied by the City, sufficient to finance the operations of the respective public school system within their jurisdictions.

Medical

Historically, the City has provided health care services for the indigent citizens of the City at public clinics and hospitals. More recently, however, the City has entered into contracts for private third parties to provide such services. Saint Louis ConnectCare, Inc. ("ConnectCare") was formed as a nonprofit corporation in 1997 to provide indigent health care services for the citizens of the City. The City and ConnectCare entered into an agreement under which the City contributed $10,000,000 prior to June 30, 2000, from various sources, toward ConnectCare's provision of health care services to the indigent citizens of the City. Pursuant to an agreement between the City and ConnectCare adopted for the fiscal year 2001 the City has contributed approximately $5,000,000, which was appropriated in the budget for fiscal year 2001.

Local Governmental Commissions and Agencies

There are a number of significant governmental authorities and commissions that provide services within the City.

The Police Department of the City of St. Louis is directed by the Police Board, consisting of the Mayor of the City, ex-officio, and four members appointed by the Governor of the State of Missouri, with the advice and consent of the State Senate. The Police Board has many duties and powers, including the power to administer oaths, summon witnesses and establish a police force. The level of employment, salaries, holidays, vacations, pensions and other employment benefits of the police force are set by state statute. The Police Board may provide itself with offices, office furniture, clerks and other staff as needed. On the last day of February each year, the Police Board must certify in writing an estimate of the amount of money necessary to carry out its duties during the next Fiscal Year. The state statute provides that the City must appropriate the certified amount in the General Revenue Fund budget for that year. However, a decision of the Supreme Court of Missouri, in *State ex. rel Sayad v. Zych*, 642 S.W.2d 907 (Mo. banc 1982), held that the City need only appropriate an amount equal to the amount appropriated in the 1980-1981 Fiscal Year, the year in which voters approved an amendment to the State Constitution limiting governmental tax and spending powers. After an appropriation has been made for a particular Fiscal Year, the Police Board is not permitted to transfer appropriated funds for one line item of such appropriation to any other line item without the approval of the Board of Estimate and Apportionment.

The Bi-State Development Agency is a body corporate and politic established by a compact between Missouri and Illinois and approved by an Act of Congress. The Bi-State Development Agency has authority to issue bonds payable out of revenues collected for the use of facilities leased, owned or operated by it in the City, St. Louis County and Illinois counties within the St. Louis Metropolitan Area. At present there is a special ½ cent sales tax authorized by the State of Missouri which is assessed by the City and St. Louis County and is primarily used to pay a portion of the costs of the bus transportation system of the Bi-State Development Agency. In August 1994, an additional 1/4 cent sales tax was approved by the voters for the expansion of the MetroLink system, a transportation system within the City, St. Louis County and East St. Louis, Illinois. The Bi-State Development Agency operates the MetroLink system between East St. Louis, Illinois and the Airport. Construction of the MetroLink system began in April 1990, operation in late 1993 and extension of service to the Airport in 1994. In October 1996, the Bi-State Development Agency was awarded a full funding grant agreement of $244 million to be matched by a ½ cent sales tax increase totaling $95.2 million paid by the taxpayers of St. Clair County for a 17.4 mile eastward expansion of MetroLink to Southwestern Illinois College (formerly known as Belleville Area College) in Illinois, constituting Phase I of a two-phase planned expansion of the system. Phase I Project construction began in March 1998 and was completed and in operation in May of 2001. The construction of the Phase II Project will be dependent upon the availability of State of Illinois and federal monies.

The City conveyed title to the McArthur Bridge, which crosses the Mississippi River, to the Bi-State Development Agency to be used in the MetroLink system in exchange for the older Eads Bridge, formerly used by a railroad. Other capital costs were federally financed. If the MetroLink system should operate at a deficit, the City and other nearby jurisdictions may be asked to increase their funding to the Bi-State Development Agency. However, the City presently has no legal obligation to increase its level of funding to the Bi-State Development Agency. The deck of Eads Bridge is currently being refurbished with a fall 2001 opening anticipated.

The St. Louis Development Corporation (the "SLDC") is a nonprofit corporation which provides technical expertise, staff and support services to public or civic bodies engaged in improving economic opportunities in the City. The SLDC functions as an umbrella entity for numerous agencies and authorities with a broad variety of functions and powers for the City. There are approximately 100 staff members, including executive, real estate, business development, commercial development, planning, urban design, neighborhood housing, research, communications, legal, finance and administration divisions. The agencies served by the staff of the SLDC include: Land Clearance for Redevelopment Authority; Planned Industrial Expansion Authority; Land Reutilization Authority; Local Development Company (SBA); Industrial Development Authority; Port Authority; and Operation Impact.

Other public bodies and agencies operating in the City include, but are not limited to, the St. Louis Housing Authority, Regional Convention and Visitors Commission, Regional Chamber and Growth Association, the East-West Gateway Coordinating Council, the Regional Convention and Sports Complex Authority and the Downtown Saint Louis Partnership, Inc.

ECONOMIC AND DEMOGRAPHIC DATA

Population and Other Statistics

The City is a part of the St. Louis Consolidated Standard Metropolitan Statistical Area (the "Metropolitan Area") consisting of the City and Franklin, Jefferson, Lincoln, St. Charles, St. Louis and Warren Counties in Missouri and Clinton, Jersey, Madison, Monroe and St. Clair Counties in Illinois. The Metropolitan Area, covering 6,375 square miles in the States of Missouri and Illinois, is the 18th largest metropolitan area in the United States. During the past 35 years, there has been a strong population growth in the outermost counties surrounding the City. At the same time, the City has experienced a substantial population loss. The following table sets forth population statistics for the Metropolitan Area for the indicated calendar years:

Calendar Year	City of St. Louis	Metropolitan Area
1996	350,482	2,548,238
1997	343,096	2,559,065
1998	338,940	2,563,801
1999	333,960	2,569,029
2000	348,189	2,604,000

Source: U.S. Bureau of Census.

Downtown St. Louis has approximately 92,606 employees, or 6.9% of total non-agricultural jobs in the Metropolitan Area. It is the office center in a region of approximately 2.6 million residents with 24 million square feet of office space filled to 76.4% of capacity. The St. Louis region ranks as the nation's fifth largest corporate headquarters market with 11 Fortune 500 corporations according to the April, 2000, issue of *Fortune Magazine.*

According to the St. Louis Convention and Visitors Commission, the City and St. Louis County, combined, ranks among the top 25 markets nationwide for hotel room inventory and in 1999 provided accommodations for more than 7.3 million visitors, who spent an estimated $2.3 billion in the area, which marks a 14% increase in the number of visitors since 1997. The City has 30 hotels with a combined total of 6,425 rooms. In 1999, the City hosted 30 city-wide conventions (*i.e.*, conventions using 1,000 or more rooms on their peak night), and with the planned addition of 1,081 more rooms as part of the Convention Headquarters Hotel Project, the Commission estimates that the City will host 50 city-wide conventions in 2004. For additional information, see **"RECENT BORROWINGS"** herein.

The City ranks as the second largest inland port in the United States in terms of weight shipped or carried through the area. Lambert-St. Louis International Airport, owned and operated by the City, in 2000 was the fourteenth busiest airport in the country for aircraft operations and sixteenth busiest in total passengers in the United States and twenty fifth in total passengers in the world according to Airport Council International. In 2000 there were approximately 457,000 commercial aircraft operations at the Airport and approximately 30,558,991 passengers passing through at the Airport, with approximately 637 average daily departures. The Airport recently completed a $97 million expansion project which opened a new state-of-the-art, 12-gate East Terminal. The Airport has 81 gates serving 10 major airlines.

Prior to April 9, 2001, Trans World Airlines, Inc. was the Airport's primary air carrier. In City Fiscal year 2000, TWA was responsible for 32.2% of the origin and destination enplanements at the Airport and 67.8% of the connecting enplanements. On January 10, 2001, TWA filed its petition for reorganization under Chapter 11 of the United States Bankruptcy Code and filed with the petition a motion for authority to sell substantially all of its assets to American Airlines, Inc. or its designee, AMR Corp., the parent company of American. The motion to sell assets was approved by the United States Bankruptcy Court for the District of Delaware on March 12, 2001. The sale of TWA's assets to American was closed on April 9, 2001. In connection with the sale, TWA assumed and assigned to a newly created subsidiary of AMR TWA's obligations under the TWA Use Agreement and Cargo Lease with the

City. TWA also assumed and assigned to AMR Sub the contract with its regional affiliate, Trans World Express. As a result of the sale, American became the nation's largest air carrier, with about 22 percent of the United States market. In a letter dated March 28, 2001 to the Director of the Airport, American expressed its intent to continue operating a system hub at the Airport.

MidAmerica Airport, a joint-use facility with Scott Air Force Base, is located in Illinois approximately 25 miles from downtown St. Louis. MidAmerica opened in November, 1997, and serves as the Metropolitan Area's cargo, corporate aircraft, and reliever airport. MidAmerica is a $210 million first-class metropolitan airport, the construction of which began in 1992. With the exception of certain overseas flights that require a longer runway for take-offs, MidAmerica's 10,000 foot runway can accommodate all types of aircraft in use today. MidAmerica is expected to enhance the Metropolitan Area's presence as one of the nation's premiere transportation centers. The Bi-State Development Agency, which operates the MetroLink system, is currently extending the MetroLink line to Southwestern Illinois College and another 8.9 miles to reach MidAmerica.

The City has several professional sports teams, each having a positive effect on the economy. The Regional Chamber and Growth Association estimates the St. Louis Blues hockey team's 1998-99 season had a total impact of approximately $120 million in business revenues. The St. Louis Cardinals baseball team's 2001 season is expected to have a total impact of approximately $330 million in business revenues. The St. Louis Rams football team's 1999-2000 Super Bowl season generated an economic impact of approximately $111.3 million during its 1999 winning season. The impact of these teams includes money spent by spectators and encompasses admissions, concessions, parking and transportation, and hotel and restaurant expresses.

Employment

The Metropolitan Area and the City are major industrial centers in the Eastern Missouri-Southwestern Illinois area with a broad range of manufacturing enterprises. According to information provided by the Missouri Division of Employment Security, in February, 2000 manufacturing represented 14.3% or 187,000 of the total 1,311,800 non-agricultural jobs in the Metropolitan Area. There has been an overall increase in total jobs in the Metropolitan Area, with 57,600 new jobs created since January 1995. The Metropolitan Area's major industries include aviation, biotechnology, chemicals, electrical utilities, food and beverage manufacturing, refining, research, telecommunications, and transportation.

The following table reflects the City's employment by industry group at the end of third quarter of 2000.

CITY EMPLOYMENT BY INDUSTRY GROUP
(TOTAL NON-FARM)

Industry Group	Employees	Percentage
Manufacturing	34,953	13.8%
Services	84,412	33.3
Government	41,855	16.5
Retail Trade	26,988	10.7
Transportation, Communication and Public Utility	22,189	8.8
Finance	20,344	8.0
Wholesale Trade	13,750	5.4
Construction	8,135	3.2
Other	632	0.2
Total	**253,258**	**100.0%**

Source: Missouri Department of Labor and Industrial Relations.

There were 253,258 total non-farm jobs within the City at the end of the third quarter of 2000 representing 18.5% of the region's job base. The City has remained a significant source of employment for the region. Job growth in the City has been concentrated in the service sector since the City is growing as a service center and anticipates strong, long-term employment growth in the areas of medical, business and recreational services, as well as in education, and the tourism and convention business.

Relocations to the City in recent years have added jobs. In 1999, Allied Healthcare Products, Inc., a medical device manufacturer from Toledo, Ohio, relocated its operations to the City in a 50,000 square foot facility housing 175 employees. Recently, PeopleSupport.com, a world leader in web-based solutions, has located its East Coast regional headquarters in the heart of the City's central business district. Hardee's Food Systems, Inc., a wholly-owned subsidiary of CKE Restaurants, Inc., relocated its corporate headquarters and administrative center to downtown St. Louis and will house approximately 125 employees by 2002. ITIVITI, a London based company providing interactive customer relationship management, will open operations in downtown St. Louis within the next three years housing approximately 70 employees.

The following table indicates average employment levels for City residents in the calendar years below, except at otherwise indicated:

	Average 1999	**Average 1998**	**Average 1997**	**Average 1996**
Labor Force	153,394	158,040	165,962	172,178
Number Employed	143,389	146,741	154,073	159,307
% City Unemployed	6.5%	7.7%	7.2%	7.5%
% State Unemployed	3.4%	4.2%	4.2%	4.6%
% U. S. Unemployed	4.1%	4.5%	4.9%	5.4%

Source: Missouri Department of Labor and Industrial Relations.

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Major Employers

The following table presents information relating to the top twenty employers in the City based on the average of the fourth quarter payroll tax reports of 1999:

TOP TWENTY EMPLOYERS - 1999

Industry Group	Employees
BJC Health Systems	15,776
Washington University	11,129
City of St. Louis	10,843
St. Louis Board of Education	8,852
St. Louis University	8,485
United States Postal Service	8,328
Tenet Health Systems	6,964
State of Missouri	6,857
Southwestern Bell	6,452
Anheuser-Busch, Incorporated	6,244
May Department Stores	5,896
A. G. Edwards & Sons	5,011
Bank of America	4,767
Schnucks	4,623
National Finance Center*	3,264
Mercantile Bank**	3,256
Sigma Chemical	3,039
Junior College District	2,712
AmerenUE	2,507
SSM Healthcare	2,400

* Federal payroll agency. The Federal government withholds on 9,595 employees total
** Now known as Firstar.
Source: City Collector of Revenue.

According to the Collector of Revenue of the City of St. Louis, the top ten public and governmental employers employing in excess of 2,500 employees include the City, the United States Postal Service, the Board of Education of the City of St. Louis and the State of Missouri.

Economic Development

Since 1995, there has been more than $1 billion of development completed in and around downtown St. Louis. The City is also planning a number of other major new projects to continue development initiatives, including the construction of a new convention headquarters hotel across the street from the America's Center, the development of the site of the St. Louis Arena vacated after the completion of Kiel Center downtown and improvement of the Darst-Webbe housing complex to include mixed-use housing, businesses, etc. A number of neighborhood development projects are also planned or underway. Construction is either underway or soon to begin on more than $2 billion of additional developments.

The following table lists information regarding major development projects totaling more than $1 billion completed since 1995:

Completed	Project Type	Estimated Cost Of Project	Completion Date
Crown Foods-Residential	Renovation/New	5,500,000	2001
Pageant Theater	New Construction	4,000,000	2001
The Highlands Center Phase I	New Construction	15,000,000	2001
Saint Louis University Expansion	New Construction	80,000,000	2001
2300 Locust - SJI Fulfillment	Office Rehabilitation	4,500,000	2001
Cupples Station Westin Hotel	Renovation	50,000,000	2001
President Casino Complex	Renovation	6,000,000	2001
Hilton Pointe Apts. Phase II	New Construction	4,250,000	2001
Merchandise Mart Annex (23 lofts)	Adaptive Rehab	4,400,000	2001
Federal Courthouse	New Construction	180,000,000	2000
Drury Plaza Fur Exchange Hotel	Renovation	35,000,000	2000
1627 Washington Loft Building	Adaptive Rehabilitation	3,600,000	2000
History Museum	Renovation/Expansion	24,000,000	2000
Kiel Triangle Park	New Construction	3,000,000	1999
Sigma Chemical Co.	New Construction	13,000,000	1999
Garage Improvements-St. Louis Centre North & East Garages	Renovation	2,000,000	1999
FBI Headquarters	New Construction	10,000,000	1999
Chase Park Plaza (208 Apts./ theater/retail)	Adaptive Rehabilitation	70,000,000	1999
Marquette Parking Garage (360 spaces)	New Construction	8,000,000	1999
Broadway Petroleum 201 E. Nagel	New Construction	2,000,000	1999
Murphy Park Apartments-Phase I	New Construction	17,000,000	1998
Small Business Technology Incubator	Rehabilitation	6,000,000	1998
Lone Star Industries	Expansion	4,500,000	1998
LaSalle Park Apartments	Rehabilitation	3,609,464	1998
Harris Stowe State College Library	New Construction	2,000,000	1998
City Plaza Shopping Center Phase I	New Construction	6,000,000	1998
Boxes Inc.	Renovation	7,000,000	1998
Blumeyer Elderly Apts.	Rehabilitation	3,088,125	1998
A.G. Edwards Annex	New Construction	2,000,000	1998
1 Public School	New Construction	7,650,000	1997
515 Olive Office Building	Rehabilitation	10,400,000	1997
A.G. Edwards Office Building	New Construction	30,000,000	1997
Affordable City Homes - West End	New - Apartments	4,500,000	1997
Art Loft Associates	Rehabilitation	5,000,000	1997
Blumeyer Housing Improvements	Rehabilitation	15,041,268	1997
Carr Square Phase I Comp. Mod.	New Construction	6,861,768	1997
Carr Square Village	Rehabilitation	36,000,000	1997
Clinton-Peabody Phase III Housing	Rehabilitation	8,243,615	1997
Cochran Improvements	Rehabilitation	4,179,738	1997
Concordia Publishing Co.	Renovation	2,500,000	1997
Elderly Public Housing ADA Improvements (System Wide)	Rehabilitation	3,120,635	1997
Home Depot	New Construction	10,500,000	1997
International Building	Rehabilitation	3,500,000	1997
KETC Channel Nine	New Construction	6,000,000	1997
Malcolm Bliss State Hospital	New Construction	20,000,000	1997
Mark Twain Hotel	Rehabilitation	3,000,000	1997
Missouri Botanical Garden Resource Center	New Construction	5,000,000	1997
Northview Village	Rehabilitation	3,000,000	1997

Planet Hollywood	Renovation	4,000,000	1997
State Psychiatric Hospital	Rehabilitation	27,500,000	1997
Sverdrup Plaza	Renovation	6,000,000	1997
AFT Terminal Railroad Trestle Reconstruction	New Construction	13,000,000	1997
Inc. Nursing Home	New Construction	4,500,000	1996
American Cancer Society	New Construction	6,000,000	1996
Clinton-Peabody Phase II	Rehabilitation	8,770,676	1996
Landry's Restaurant	New Construction	2,500,000	1996
Saint Louis University	Renovation/	200,000,000	1996
Medium Security Institution	Expansion New Construction	11,000,000	1996
18th Street Garage	Rehabilitation	3,500,000	1995
A.G. Edwards Parking Garage	New Construction	5,000,000	1995
Jewish Hospital Garage	New Construction	12,000,000	1995
Stadium/Convention Center	New Construction	298,000,000	1995

Source: St. Louis Development Corporation.

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The following table lists information regarding major development projects totaling approximately $2 billion currently planned or under construction in the City:

Planned or Under Construction	Project Type	Estimated Cost Of Project	Completion Date
Greater Ville Homes	New -Single Family	3,325,000	2001
705 Office Building	Renovation	5,000,000	2001
210 North Tucker Office Building	Renovation	5,000,000	2001
1324 Washington Loft Building	Renovation	3,570,000	2001
Argyle Parking Garage/Library/Retail	New Construction	11,400,000	2001
Maple Acres	New - Single Family	9,000,000	2001
Dr. MLK Business Center (450,000 sq. ft.)	New Industrial	4,500,000	2001
Greeley Building - Laclede's Landing	Office Rehabilitation	5,000,000	2001
Edison Brothers Hotel/Condos	Renovation	53,000,000	2001
Dickmann Building	Office/retail rehabilitation Construction	3,500,000	2001
703 N. 13th (34 condo lofts)	Adaptive Rehabilitation	3,000,000	2001
Center for Emerging Technology	Renovation	6,000,000	2001
Vashon High School	New Construction	50,000,000	2001
A.G. Edwards Garage	New Construction	20,000,000	2001
Carondelet Pasta Plant	Expansion	18,000,000	2001
Sigma Chemical R & D	New Construction	50,000,000	2001
Adams School and Community Center	Renovation/New	15,000,000	2001
Wireworks	Renovation	8,600,000	2001
City Criminal Justice Center	New Construction	91,000,000	2002
City Plaza Shopping Center Phase II	New Construction	6,000,000	2002
A.G. Edwards (office/500,000 sq. ft.)	New Construction	30,000,000	2002
Riverside Apartments	New Construction	50,000,000	2002
Cupples Station Office (150,000 sq. ft.)	Adaptive Rehabilitation	20,000,000	2002
Chouteau/Compton Indust.	Construction	14,500,000	2002
Adams Building (15 lofts)	Adaptive Rehabilitation	2,000,000	2002
300 N. Tucker	Office Rehabilitation	2,000,000	2002
Washington Avenue Loft Streetscape	Renovation	17,000,000	2002
Union Pacific Garage	New Construction	12,500,000	2002
1110 Washington	Renovation	6,000,000	2002
Continental Building	Renovation	23,500,000	2002
Terra Cotta Loft Condos	Rehabilitation	8,500,000	2002
Merchants/Laclede Hotel	Rehabilitation	6,000,000	2002
Hampton Inn/333 Washington Ave	Rehabilitation	18,600,000	2002
Convention Headquarters Hotel	Renovation/New Construction	270,000,000	2002
BJC Health Systems Phase I	New/Rehabilitation	225,000,000	2002
Justice Center Garage	New Construction	10,000,000	2003
Darst-Webbe Mixed Use Development	New Construction	150,000,000	2003
Multi-Modal Station	New Construction	25,000,000	2003
Forest Park Restoration	Renovation	86,000,000	2004
St. Louis Art Museum Expansion Phase I	Renovation	50,000,000	2005
Harris Stowe State College Expansion Phase II	New Construction	16,000,000	2005

Source: St. Louis Development Corporation

Major Taxpayers

The following tables set forth information regarding the top payers of earnings tax, payroll tax, real estate tax and personal property tax to the Collector of Revenue for the indicated period:

TOP TWENTY TAXPAYERS
EARNINGS TAX - 2000 CALENDAR YEAR

Anheuser Busch	$ 5,280,517
SBC Communications	4,050,037
BJC Health Systems	3,909,038
AG Edwards & Sons	3,670,592
Washington University	3,524,570
City of St. Louis	2,868,800
St. Louis University	2,075,634
US Postal Service	2,058,476
Ameren	1,717,660
May Department Stores	1,589,660
Tenet Health System	1,368,668
Firstar Bank	1,306,231
Bank of America	1,303,694
Ralston Purina	1,237,636
National Finance Center	1,140,315
Sigma Chemical	830,290
Union Pacific Railroad	792,758
Mallinckrodt	748,633
Veterans Administration	715,293
Defense Finance & Accounting Service	672,736

Source: City Collector of Revenue

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TOP TWENTY TAXPAYERS
PAYROLL EXPENSE TAX - 2000 CALENDAR YEAR

Anheuser Busch	$ 1,728,260
SBC Communications	1,716,268
AG Edwards & Sons	1,430,253
May Department Stores	783,353
Bank of America	637,432
Ralston Purina	618,818
Tenet Health Systems	567,933
Firstar Bank	548,580
Ameren	531,647
Union Pacific Railroad	381,156
Mallinckrodt	348,444
Sigma Chemical	328,321
St. Louis Cardinals LP	254,443
Thompson Coburn	248,788
Laclede Gas	238,913
Rightchoice Managed Care	238,394
TransWorld Airlines	224,925
AT&T	190,130
Eveready Battery	167,327
Schnucks Markets	165,434

Source: City Collector of Revenue

TOP TWENTY TAXPAYERS
REAL ESTATE TAX - 2000 CALENDAR YEAR

Anheuser Busch	$ 5,547,422
Ameren/Union Electric	5,316,169
Laclede Gas	4,354,159
Tenet Health System	3,243,976
Southwestern Bell	3,184,438
A.G. Edwards	2,032,934
Trizechahn St. Louis, Inc.	1,839,452
Mercantile Bank	1,574,864
Seven Seventeen Redevelopment	973,844
Union Centre Redevelopment	899,503
Civic Parking Inc.	885,230
Mallinckrodt	730,580
St. Louis RPFIV Gateway One Assn	688,782
Equitable Broadway	556,236
Centerre Equitable Joint Venture	510,988
Park Meadows Mall Ltd.	442,982
Heitman Properties	430,080
Laclede Tower Associates	406,362
Ralston Purina	385,677
EBS Building LLC	359,520

Source: City Collector of Revenue

TOP TWENTY TAXPAYERS
PERSONAL PROPERTY TAX - 1999 CALENDAR YEAR

Southwestern Bell	$3,565,255
Laclede Gas Co.	1,720,218
A.G. Edwards & Sons, Inc.	1,113,503
Anheuser Busch, Inc.	916,486
Ralston Purina Co.	809,135
Tenet Health System	604,933
Union Electric Cocomdisco, Inc.	544,942
Comdisco, Inc.	436,886
IBM Corporation	416,003
Ameren Union Electric Co	345,835
May Department Stores	331,745
Mallinckrodt Chemical Inc.	321,919
Xerox Corp.	291,529
Cybertel Corp.	290,851
Atlantic Express Inc.	290,562
Computer Sales.	285,062
American Telephone	264,848
President Riverboat Casino	255,542
St. Louis Tele	247,636
SBD Shared Services	243,292

Source: City Collector of Revenue.

Building and Construction Data

The following table shows trends in the number of building permits and value of housing construction, rehabilitation and commercial construction in the City for the calendar years set forth below:

Calendar Year	Value of Housing New	Value of Housing Rehabilitation	Value of Commercial, Industrial or other Non-Housing	Total Number of Permits	Total Value
1997	$ 15,571,647	$ 19,657,159	$ 177,982,816	4,245	$ 213,211,622
1998	18,126,089	21,699,641	234,446,942	4,347	274,272,672
1999	31,240,582	19,553,289	205,602,820	4,420	256,396,691
2000	33,594,010	49,847,765	431,876,501	5,047	515,318,276

Source: City Building Division.

FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS

Introduction

Management of the City's finances includes preparation of an annual budget, control of the expenditure of City funds, cash management and the levy and collection of property taxes. This section presents information regarding the City's finances, including the City's accounting and budgeting practices.

Accounting and Reporting Practices

The City maintains its accounting records on the basis of funds and account group.

Governmental-Type Funds - Governmental-Type Funds are used to account for the acquisition, use and balances of the City's financial resources and related liabilities. The measurement focus is upon determination of changes in financial position, rather than net income determination. The following are the City's governmental-type funds:

General Revenue Fund - The General Revenue Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts of major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for and the payment of general long-term debt principal, interest and related costs.

Capital Project Funds - Capital Project Funds are used to account for financial resources to be used for acquisition or construction of major facilities (other than those financed by proprietary funds and trust funds).

Proprietary Funds - Proprietary Funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income. The following describes the City's proprietary fund types:

> *Enterprise Funds* - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily though user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.
>
> *Internal Service Funds* - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost reimbursement basis.

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following describes the City's fiduciary fund:

> *Trust and Agency Funds* - Trust and Agency Funds are used to account for assets held in trust or as an agent by the City for others. Expendable funds are accounted for and reported in essentially the same manner as governmental funds. Agency Funds are custodial in nature and are

used to account for assets held by the City as an agent for individuals, private organizations, other governmental units and/or other funds.

Account Groups - Account Groups are used to establish accounting control and accountability for the City's General Fixed Assets and General Long-Term Debt. The following describes the City's Account Groups:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the City, other than those accounted for in the proprietary funds.

General Long-Term Debt Account Group - This account group is established to account for all long-term debt of the City except that accounted for in the proprietary funds.

The financial statements of the various funds of the City, other than the Enterprise Funds, are presented, generally, on a modified accrual basis of accounting. An annual audit is made of the accounts and the records of the City. This examination is conducted by an independent certified public accountant, engaged by the Mayor for this purpose.

Budget Process

The Board of Estimate and Apportionment proposes annual operating and capital budgets for the ensuing Fiscal Year, based on information provided by the various City departments (including the Budget Division), commissions and boards.

After internal review and analysis by the Board of Estimate and Apportionment, a proposed budget, which includes a statement showing estimated receipts and expenditure requirements of each department, commission and board, and a comparative statement of receipts and expenses incurred for the previous year, is submitted to the Board of Alderman.

Under a City Charter Amendment adopted in 1987, the Board of Estimate and Apportionment must submit its proposed budget to the Board of Aldermen no less than 60 days prior to the beginning of the Fiscal Year, July 1.

The budget bill is assigned to the Ways and Means Committee of the Board of Aldermen, which conducts public hearings on segments of the proposed budget prior to taking any action. Thereafter, the proposed budget is reviewed and then considered by the Board of Aldermen.

The Board of Aldermen may reduce the amount of any item in a budget bill, except amounts fixed by statute for the payment of principal of or interest on City debt or for meeting any ordinance obligations. The Board of Aldermen may not increase the amount of the proposed budget nor insert new items. Also under the City Charter, the Board of Estimate and Apportionment submits and recommends to the Board of Aldermen a bill establishing City real property tax rates. Currently, increasing the level of existing taxes or imposing new taxes requires voter approval in accordance with the Missouri Constitution. See the caption **"FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS -- The Hancock Amendment"** herein.

Should the Board of Estimate and Apportionment not timely submit its proposed budget or tax rate to the Board of Aldermen, the Budget Director is required to submit directly to the Board of Aldermen data, including projected revenues and expenses, necessary to permit the Board of Aldermen to approve an operating budget prior to the beginning of the Fiscal Year.

Should the Board of Aldermen not approve a budget or tax rate by the beginning of a Fiscal Year, the proposed budget or tax rate recommended by the Board of Estimate and Apportionment, or, in its absence, the submission by the Budget Director, is deemed to have been approved by the Board of Aldermen.

Except with respect to the general appropriation bill and bills providing for the payment of principal of or interest on debt, no appropriation may be made from any revenue fund in excess of the credit balance of such fund, and no appropriation may be made for any purpose to which the money is not lawfully applicable. The Board of Estimate and Apportionment may, from time to time, appropriate any accruing, unappropriated City revenue, and whenever an appropriation exceeds the amount required for the purpose for which it was made, the excess or any portion or portions thereof may, by ordinance recommended by the Board of Estimate and Apportionment, be appropriated to any other purpose or purposes. All unexpended appropriated money, not appropriated by special ordinance for a specific purpose, reverts at the end of the then current Fiscal Year to the fund or funds from which the appropriation was made.

Financing Controls

During recent years, the City has implemented significant measures to upgrade its financial reporting systems. This was done in an effort to bring the financial system in line with the requirements of generally accepted accounting principles. This effort has been successful. The City's Comprehensive Annual Financial Report for fiscal year 1999 was awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA). It was the thirteenth year the City has received this prestigious award. The Certificate of Achievement, is awarded to recognize a governmental unit which published an easily readable and efficiently organized comprehensive annual report that meets both generally accepted accounting principles and applicable legal requirements. The GFOA presented an award of Distinguished Presentation to the Budget Division, City of St. Louis for its annual budget for the fiscal year beginning July 1, 2000. This award is given in recognition of a government unit that publishes a budget document that meets program criteria as a policy document, an operations guide, and as a communicative device.

At present, the City utilizes a fully computerized Accounting Information Management System (the "AIM System") which was initiated in 1981. The AIM System is based on a single transaction concept of processing whereby all relevant files and reports are updated from a single input of information. The AIM System provides: (1) integrated general and subsidiary accounting of all funds: (2) appropriation/encumbrance accounting and controls and (3) generation of cost/expenditure data in multiple formats that are useful for budgetary control and other managerial purposes. In developing and evaluating the City's accounting system, consideration was given to the adequacy of internal accounting controls. Internal account controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets.

Through annual appropriations, the City maintains budgetary control at the department level by line item. Cost classifications are categorized in the following groups: personal services, supplies, materials, contractual services and equipment.

Encumbrances are recorded by the Control Section through an on-line budgetary control module before requisitions are sent to the Purchasing Division. If sufficient funds are not available to cover a purchase, the requisition is returned to the originating department for transfer of funds or cancellation. Departments' appropriations are allowed to be adjusted by transfers with the prior approval of the Board of Estimate and Apportionment. The Comptroller is able to control all of the above using the AIM system.

It is the special responsibility of the Comptroller, as set forth in the Charter, to provide City officials and taxpayers with reasonable assurances that public funds and property are adequately safeguarded and that financial transactions are authorized and properly recorded. The internal audit staff of the Office of the Comptroller is responsible for carrying out the Charter and ordinance provisions relating to the audit of records, funds and securities of every person charged with safekeeping of the City's assets. The objective is to evaluate the procedures in effect to conserve and safeguard the City's property. Besides the focus on the collection and recording of receipts, department audits include development of recommended procedures for improvement of internal controls in the maintenance of accounts receivable and properly control records. Audits are conducted on a continuing cycle.

Cash Management

Cash management is handled by the City Treasurer. The Treasurer, an elected official, maintains bank accounts, invests funds and maintains account records.

All cash not restricted by law to specific accounts is pooled into the "General Pooled Cash" and invested by the City Treasurer. The Treasurer provides cash forecasting so that adequate cash is available while investments are maximized. All investments held by the Treasurer as of April 30, 2001 totaled $333,875,370 at cost. Consistent with state law, all investments held by the Treasurer are in direct securities backed by the full faith and credit of the U.S. Government or its agencies and those that may be approved by the State Treasurer, or in time deposits collateralized by those securities.

Cash Management Investment Policy

On March 6, 1998 the City adopted its revised Public Funds Investment Policy, through the Funds Committee of the City. The investment policy applies to all financial assets of the City, including the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, Internal Service Funds, Enterprise Funds, Trust and Agency Funds and proceeds of bond issues, but does not apply to the City's pension funds. The objectives stated in the policy (in order of priority) are (a) security, (b) liquidity, (c) investment return, (d) local economic benefit and (e) social policy. The policy applies a prudent man standard to management of the overall portfolio, with investments limited to U.S. Government obligations, obligations of any agency or instrumentality of the U.S., bonds of the State of Missouri or the City, certificates of deposit, repurchase agreements maturing within 90 days and deposits with listed institutions. Certificates of deposit, repurchase agreements maturing within 90 days and deposits with listed institutions must be collateralized. The City's revised Public Funds Investment Policy has been approved for certification by the Municipal Treasurers' Association of the United States and Canada. Columbia Capital Consultants, LLC serves as investment consultant to the Treasurer's office.

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General Revenue Fund

In accordance with generally established accounting procedures for governmental units, the City records its financial transactions under various funds. The largest is the General Revenue Fund, from which all general operating expenses are paid and to which taxes and all other revenues not specifically allocated by law or contractual agreement to other funds are deposited. Expenditures from the General Revenue Fund are for payments of the payroll, pension, employee benefits and other miscellaneous ordinary operating expenses.

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General Revenue Fund Expenditures

Table I is a combined statement of revenues, expenditures and changes in fund balances on an accrual basis for the past five Fiscal Years.

TABLE I
CITY OF ST. LOUIS
General Revenue Fund
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Accrual Basis – Fiscal Years Ended June 30
(In Thousands)

	2000	1999	1998	1997	1996
Revenues					
Taxes	$311,310	$306,628	$297,000	$289,466	$281,237
Licenses & Permits	15,891	19,792	15,033	14,965	13,498
Intergovernmental Aid	8,255	3,139	5,550	4,155	4,826
Charges for Services	14,668	13,683	11,904	12,210	11,791
Court Fines & Forfeitures	8,450	7,535	8,070	4,327	6,435
Interest	4,729	2,846	6,890	5,942	6,037
Miscellaneous	3,155	2,724	8,820	7,307	2,917
Total Revenues	$ 366,458	$356,347	$353,267	$338,372	$326,741
Expenditures					
General Government	$ 37,461	$ 38,331	$ 40,986	$ 33,037	$ 31,392
Convention & Tourism	1,936	2,042	2,027	1,035	4,758
Parks and Recreation	16,275	15,916	14,166	15,231	13,833
Judicial	34,100	32,480	31,523	29,233	28,918
Streets	28,565	29,470	28,593	29,136	29,341
Public Safety	75,941	73,702	105,215	63,893	62,534
Health and Welfare	11,668	11,046	16,111	18,392	16,496
Public Services	20,550	20,992	18,678	19,125	18,413
Capital Outlay	3,920	649	1	464	4
Debt Service	30,041	23,567	21,399	21,974	18,600
Total Expenditures	$ 260,457	$248,195	$278,699	$231,520	$224,289
Excess of Revenues Over (Under) Expenditures					
Other Finance Sources/(Uses)	$106,001	$108,152	$ 74,568	$106,852	$102,452
Proceeds from Capital Leases	-	0	28,695	11,855	0
Proceeds from Convention Center Refinancing	2,773	0	0	0	0
Operating Transfers from Component Units	125	0	0	125	125
Operating Transfers In	13,439	11,988	14,218	15,497	14,381
Operating Transfers Out	(24,281)	(14,179)	(11,008)	(12,386)	(11,782)
Payment to Bond Escrow Agent	-	0	0	0	0
Operating Transfers to Component Units	(114,458)	(112,522)	(105,151)	(102,863)	(99,499)
Total Other Financing Sources (Uses)	$(122,402)	$(114,713)	$(73,246)	$(87,772)	$(96,775)
Excess of Revenues & Other Finance Sources Over (Under) Expenditures & Other Uses	($16,401)	($6,561)	$1,322	$19,080	$5,677
Fund Balances (Beginning of Fiscal Year)	80,523	87,084	85,559	66,479	60,802
Equity Transfers In	243	0	203	0	0
Fund Balances (End of Fiscal Year)	$ 64,365	$ 80,523	$87,084	$85,559	$66,479

Source: Audited Financial Statements.

Table II shows a General Revenue Fund Summary of Operations on a budgetary (cash) basis for the Fiscal Years ended June 30, 2000, June 30, 1999 and June 30, 1998. The City provides funding for several significant municipal services which are not subject to direct City management and control.

TABLE II
CITY OF ST. LOUIS
General Revenue Fund
Summary of Operations
Cash Basis - Fiscal Years Ended June 30
(In Thousands)

	2000	1999	1998
Revenues			
Taxes	$309,988	$306,498	$293,649
Licenses & Permits	15,938	15,046	15,494
Intergovernmental Aid	3,644	3,106	5,532
Charges for Services	14,567	13,494	11,903
Court Fines & Forfeitures	5,199	4,850	4,618
Interest	2,909	2,686	2,948
Miscellaneous	3,219	3,005	2,530
Total Revenues	$355,464	$348,685	$336,674
Expenditures			
General Government	$ 40,220	$37,279	$33,908
Convention & Tourism	1,939	2,043	2,027
Parks & Recreation	16,091	16,052	13,907
Judicial	33,277	32,453	31,474
Streets	28,457	29,565	28,470
Public Safety	75,487	73,665	73,167
Health & Welfare	11,952	10,476	15,783
Public Services	20,353	20,955	18,535
Police	114,118	110,150	104,934
Debt Service	21,491	22,567	18,128
Total Expenditure	$363,385	$355,205	$340,333
Excess of Revenues Over (Under) Expenditures	(7,921)	(6,520)	(3,659)
Other Financial Sources (Uses):			
Operating Transfers In	$ 18,362	$19,057	$ 20,777
Operating Transfers Out	(10,181)	(9,922)	(7,233)
Total Other Finance Sources (Uses)	8,181	9,135	13,544
Excess of Revenues & Other Finance Sources Over (Under) Expenditures & Other Finance Uses	$ 260	$ 2,615	$ 9,885
Fund Balances (Beginning of Fiscal Year)	27,628	28,385	16,393
Use Tax Reserve	--	--	7,107
½ Operating Surplus to Capital Improvements Funds	(632)	(3,000)	(5,000)
Fund Balances (End of Fiscal Year)	$ 28,000	$ 28,000	$28,385

Source: City Comptroller's Office.

GENERAL REVENUE RECEIPTS

General Revenue Fund Receipts by Category

The following table sets forth the percentage of receipts for various categories of the General Revenue Fund for the Fiscal Years set forth below:

	2000	1999	1998
TAXES:			
Earnings	31.38%	31.02%	30.82%
Franchise	13.55	14.53	14.03
Sales	12.87	12.86	12.96
Gross Receipts	2.51	2.42	2.34
Motor Vehicle Sales Tax	.98	1.06	.97
Motor Fuel	2.82	2.69	2.78
Real Estate	7.10	7.15	6.99
Personal Property	2.91	3.24	3.08
Payroll	8.41	8.02	8.03
Other Taxes	.39	0.34	0.14
Total Taxes	82.92	83.33	82.14
LICENSE FEES	4.26	4.10	4.34
DEPARTMENTAL RECEIPTS	7.84	7.36	7.66
27th PAY RESERVE TRANSFERS	.06	0.03	0.05
TRANSFERS	4.92	5.18	5.81
	100.00%	100.00%	100.00%

Source: City Comptroller's Office.

Earnings Tax

The City's Earnings Tax is the most significant single source of General Revenue Fund revenues, representing approximately 31% of the total General Revenue Fund revenues for the Fiscal Year ended June 30, 2000. The Earnings Tax is levied against residents of the City, nonresidents employed within the City and businesses within the City. The Earnings Tax was authorized by State statute in 1954 and was initially set at the rate of one-half of one percent of the gross income of individuals and of net profits of businesses within the City. The current rate of one percent has been in effect since 1959.

Earnings Taxes are withheld by employers and submitted to the City on a quarterly basis, except for employers withholding more than $1,500 per month, who remit their taxes monthly. Residents of the City who are employed outside of the City and do not have the Earnings Tax withheld from their pay are required to file a tax return and pay the Earnings Tax on an annual basis.

The City's Earnings Tax revenue for the Fiscal Years set forth below was as follows:

Year	Earnings Tax
1996	$102,519,126
1997	108,662,508
1998	110,144,735
1999	114,108,431
2000	117,304,729

Source: City Comptroller's Office

Franchise Tax

The Franchise Tax of the City is a tax on utilities operating within the City and on certain gross receipts of the Airport. This tax is passed on to the consumers by the utilities. The tax on Laclede Gas Company and AmerenUE (formerly Union Electric Company) is 10% of the gross receipts from their commercial customers and 4% from their residential customers. Saint Louis Telecommunications, Inc. is taxed on 5% of gross revenues for its City cable franchise. The Southwestern Bell Telephone Company, Trigen Energy Corp. and the Water Division of the City are taxed 10% of their gross receipts from all users and the Lambert-St. Louis International Airport pays to the General Revenue Fund 5% of its gross revenues. Franchise Taxes are collected and paid to the City monthly and/or quarterly.

The City's Franchise Tax revenue for the Fiscal Years set forth below was as follows:

Year	Franchise Tax
1996	$50,279,555
1997	49,784,243
1998	50,166,650
1999	53,456,024
2000	50,645,837

Source: City Comptroller's Office

Sales Tax

A City Sales Tax, which was authorized by the Missouri General Assembly and was approved by voters at an election held in 1969, became effective in 1970 at a rate of one percent of sales within the City. This tax is collected on a monthly basis by the State of Missouri along with the State sales tax and remitted to the City by the 10th of the following month. On August 3, 1993, voters approved a three-eighths cent sales tax increase for general operations and a one-half cent sales tax increase for capital improvements.

On November 7, 2000, voters in the City of St. Louis, approved a one tenth of one percent sales tax to fund a Metropolitan Park and Recreation District which takes effect on July 1, 2001. Fifty percent of revenue collected from the tax will go to the metropolitan district as will funds from other counties which have a similar tax to fund the Metropolitan Park and Recreation District. Fifty percent of the tax revenues is returned to the City and placed in a special fund, the "Metro Parks Trust Fund" for local park improvement. On April 10, 2001, City voters approved a use tax at the same rate as local sales tax, currently a rate of 2.65 percent, to provide funds for the development and preservation of affordable and accessible housing and public health care services. A use tax return need not be filed by persons who spend less than two thousand dollars ($2,000) on purchases from out of state in any calendar year. This tax also takes effect on July 1, 2001.

The City's General Fund Revenue Sales Tax receipts for the Fiscal Year set forth below were as follows:

Year	Sales Tax
1996	$ 45,453,050
1997	46,275,033
1998	46,329,812
1999	47,317,689
2000	48,134,756

Source: City Comptroller's Office

Gross Receipts Tax

The City's Gross Receipts Tax is comprised of four components: (1) public garage and parking lots tax; (2) amusements admission tax; (3) one-half cent restaurant tax; and (4) natural gas tax, which took effect May 1, 1991.

The City's Gross Receipts Tax revenue for the Fiscal Years set forth below was as follows:

Year	Gross Receipts Tax
1996	$ 6,503,344
1997	7,940,351
1998	8,353,462
1999	8,905,848
2000	9,375,323

Source: City Comptroller's Office

During fiscal year 1998, the natural gas tax was ruled invalid by the Missouri Court of Appeals. The three-judge appellate panel said the City lacked the authority to enact such a fee, reasoning that it is really a use tax for which the City has no power under state law to impose.

Motor Vehicle Sales Tax

The Motor Vehicle Sales Tax is collected by the State in the form of the State sales tax and remitted to the City monthly. A constitutionally-mandated portion of the proceeds of the State sales tax is distributed to local governments, including the City, based on their proportionate share of the State's total population.

The City's Motor Vehicle Sales Tax revenue for the Fiscal Years set forth below was as follows:

Year	Motor Vehicle Sales Tax
1996	$ 3,273,919
1997	3,467,986
1998	3,484,553
1999	3,890,624
2000	3,670,827

Source: City Comptroller's Office

Motor Fuel Tax

The City receives a share of the State motor fuel tax based upon the City's proportionate share of the State's population. Motor fuel tax is collected by the State on a monthly basis and remitted to the City monthly. The City's Motor Fuel Tax revenue for the Fiscal Years set forth below was as follows:

Year	Motor Fuel Tax
1996	$ 9,082,358
1997	9,656,919
1998	9,946,698
1999	9,883,983
2000	10,552,422

Source: City Comptroller's Office

Real and Personal Property Taxes

Taxes are levied on all real and personal property owned as of January 1 of each year. Tax bills are mailed out in November and payment is due by December 31, after which taxes become delinquent. Residential property is currently assessed at 19% of true value, commercial property is assessed at 32% of true value, and agricultural property is assessed at 12% of true value. Real property is reassessed every two years (in odd-numbered years), as required by State law. Reassessments are reflected in the value below for the indicated years. The formula for setting the tax rate does not allow for more than normal growth in tax collections. As a result, there is no "windfall" to the City as a result of the reassessment.

	Real Property[1]		Personal Property[1]			
Calendar Year	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Manufacturers Inventory Value[2]	Total Assessed Value
1996	$1,765,203,352	$7,457,159,339	$784,576,338	$2,356,085,099	$238,993,171	$2,788,772,861
1997	1,788,721,792	7,539,338,315	795,179,452	2,387,926,282	244,660,432	2,828,561,676
1998	1,804,665,643	7,594,277,913	842,766,603	2,530,830,740	248,451,394	2,895,883,640
1999	1,912,873,863	8,012,686,519	769,881,598	2,211,956,751	265,996,552	2,948,752,013
2000	1,923,262,482	8,042,460,306	805,857,347	2,419,992,033	304,558,850	3,033,678,679

Source: [1]City Assessor's Office.
[2]City License Collector's Office.

The estimated "Market Value" of real property in the City for the last five calendar years is set forth below:

Calendar Year	Commercial	Residential	Total Real Property
1996	$2,679,562,134	$4,777,597,205	$7,457,159,339
1997	2,740,365,478	4,798,972,837	7,539,338,315
1998	2,782,714,150	4,811,563,763	7,594,277,913
1999	3,003,564,803	5,009,121,716	8,012,686,519
2000	3,039,961,722	5,002,498,584	8,042,460,306

Source: City Assessor's Office.

The tax rate levied on real and personal property for the General Revenue Fund of the City during Fiscal Year 2001 was $1.453 per $100 of assessed valuations and during Fiscal Year 2000 was $1.42 per $100 of assessed valuations. The collection rate for the Fiscal Year 2001 was 89.4% compared to the rate of 86.1% for Fiscal Year 2000. Tax receipts paid in protest are distributed to the City after the normal due date for real property taxes. Consequently, the rate of collection as a percentage of current amounts due is understated.

The City's Real and Personal Property Tax revenue for the Fiscal Years set forth below, on a cash basis, was as follows:

Fiscal Year	Real Property	Personal Property
1996	$ 22,886,867	$ 10,302,884
1997	25,211,126	10,342,221
1998	24,459,215	11,004,557
1999	26,287,484	11,910,347
2000	26,543,628	10,881,453

Source: City Comptroller's Office

Payroll Tax

In an election held in 1988, voters approved a Payroll Tax. The Payroll Tax is one-half of one percent of total compensation paid by a business to its employees for work in the City. The tax is not applicable to not-for-profit, charitable, civic organizations or hospitals. The Payroll Tax is administered by the Collector of Revenue and is payable quarterly on the last day of January, April, July and October for the preceding calendar quarter.

The City's Payroll Tax revenue for the Fiscal Years set forth below, on a cash basis, was as follows:

Fiscal Year	Payroll Taxes
1996	$ 26,238,336
1997	28,098,389
1998	28,717,504
1999	29,485,466
2000	31,434,827

Source: City Comptroller's Office

Other Taxes

Other taxes collected by the City include the intangible tax, land tax suits, manufacturers tax, commercial property surcharge and county stock insurance tax. The City's other tax revenue for the Fiscal Years set forth below, on a cash basis, was as follows:

Fiscal Year	Other Taxes
1996	$ 1,239,282
1997	1,178,702
1998	1,041,480
1999	1,262,246
2000	1,444,646

Source: City Comptroller's Office

License Fees

License Fees are collected by the City for the use or sale of or conduct of business in the following categories: automobiles, cigarettes, liquor, business, contractors and certain miscellaneous items. A variety of business license and inspection fees were replaced with the Graduated Business License Tax and the Payroll Tax in 1988 by voter approval. The Graduated Business License Tax is a flat rate, depending on the number of City employees in the previous calendar year. The tax ranges from $150 for employers with two or fewer employees to $25,000 for employers with greater than 500 employees. The issuing of business licenses and the collection of the new License Fees is administered by the License Collector's Office.

The City's License Fee revenue for the Fiscal Years set forth below, on a cash basis, was as follows:

Fiscal Year	License Fees
1996	$ 13,653,290
1997	13,912,180
1998	15,494,049
1999	15,046,360
2000	15,938,251

Source: City Comptroller's Office

Departmental Receipts

Several City departments generate revenues from fees and charges. Those revenue-producing departments include the Department of Parks and Recreation and Forestry, the Public Safety Department, the Street Department, the Public Utilities Department, the Department of Health and Hospitals, Recorder of Deeds, Circuit Court, Juvenile Detention Center, Sheriff, Medical Examiner, Probate Court and the City Courts.

The City's Departmental Receipts revenue for the Fiscal Years set forth below, on a cash basis, was as follows:

Fiscal Year	Departmental Receipts
1996	$ 26,698,596
1997	27,452,870
1998	27,530,903
1999	27,012,552
2000	29,296,276

Source: City Comptroller's Office

Operating Transfers

A major source of transferred funds is from other Special Revenue Funds, Other Special Revenue Funds consist of the Child Support Unit-Circuit Attorney Fund and the Columbia Bottoms Fund. Remaining transfers represent funds which by law must first be deposited in a fund, other than the General Revenue Fund, which, after a determination by the Comptroller that such deposits are a surplus, are transferred to the General Revenue Fund. The City's Operating Transfers for Fiscal Years set forth below, on a cash basis, were as follows:

Fiscal Year	Operating Transfers[1]
1996	$15,776,408
1997	11,669,013
1998	20,776,765
1999	19,057,627
2000	18,361,988

[1] Figures do not include transfers related to certain employment reserves.
Source: City Comptroller's Office

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The Board of Police Commissioners

The Board of Police Commissioners of the City of St. Louis, Missouri (the "Police Board") was established by Chapter 84 of the Revised Statutes of Missouri to provide the police force for the City. The Police Board employs the police force, administers the police department and provides offices, police stations and equipment for the police department.

Although the Police Board is not subject to direct City management and control, it derives almost all of its revenue from the City and has no power to levy taxes for any purpose. The Police Board does receive from time to time special grants and proceeds from asset forfeitures that amount in total to approximately 5% of their budget. The Police Board is required by law to prepare on or before the last day of February of each year a written estimate of the amount which will be necessary for the upcoming Fiscal Year to enable the Police Board to discharge its duties and meet the expenses of the police department and to certify the amount to the Board of Aldermen of the City. For additional information, see **"The Hancock Amendment"** herein.

The Board of Aldermen of the City is required by State statute to make the necessary appropriation for the amount certified, payable out of revenues of the City after deducting the amount necessary to make the City's indebtedness payments, and to pay City hospital, health department and lighting expenses, but it has been held that the Board of Aldermen is not required under the statute to appropriate for the Police Board for any Fiscal Year a sum in excess of $66,634,713, which was the amount of the budget certified as of the effective date of the amendment to the Constitution of Missouri commonly known as the "Hancock Amendment," which became effective on December 4, 1980. For additional information, see **"The Hancock Amendment"** herein.

Although the Board of Aldermen is not required to do so, it may appropriate sums for the Police Board in excess of $66,634,713 per Fiscal Year, and the Board of Aldermen has done so for each of the past eleven Fiscal Years. The Board of Aldermen, however, did not approve the entire amount of the initial budget submitted for each of those Fiscal Years. The budget as approved by the Board of Aldermen for Fiscal Year 1999 was $110,946,355, for Fiscal Year 2000 was $114,896,384 and for Fiscal Year 2001 is $118,303,537. The Police Board entered into a lease agreement in August 1988 in connection with the $12,890,000 Missouri Industrial Development Board's Capital Improvement and Refunding Leasehold Revenue Bonds, Series 1988 (Board of Police Commissioners of the City of St. Louis, Missouri, Lessee). The proceeds of the financing were used to purchase, construct and equip three new police stations. The lease was refinanced in June 1994 for $13,725,000. The additional proceeds generated were used for further capital improvements. The lease obligation will be financed by a portion of the 1/2 cent sales tax earmarked for this purpose. The payments under the lease average $1,423,000 per annum. See **"DEBT OF THE CITY - Capital Leases"** herein.

The amount budgeted by the Board of Aldermen for the Police Board is included in the budget for the City's General Revenue Fund. See **"FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS – Budget Process"** herein. The budget of the Police Board is prepared under the cash basis of accounting and any unexpended appropriations lapse and are returned to the City.

The Hancock Amendment

An amendment to the Missouri Constitution limiting taxation and government spending was approved by Missouri voters on November 4, 1980. The amendment (popularly known as the Hancock Amendment) limits the rate of increase and the total amount of taxes which may be imposed in any Fiscal Year, and the limit may not be exceeded without voter approval. Provisions are included in the amendment for rolling back tax rates to produce an amount of revenues equal to that of the previous year if the definition of tax base is changed or if property is reassessed. The tax levy on the assessed valuation of new construction is exempt from this limitation. The limitation on local governmental units does not apply to taxes imposed for the payment of principal of and interest on general obligation bonds approved by the requisite percentage of voters.

The Hancock Amendment also requires political subdivisions of the State to obtain voter approval in order to increase any "tax, license or fee." The precise meaning and application of the phrase "tax, license or fee" is unclear, but recent decisions of the Missouri Supreme Court have indicated that it does not apply to traditionally set fees. The limitations imposed by the Hancock Amendment restrict the City's ability to increase many but not all taxes, licenses and certain fees without obtaining voter approval.

INSURANCE

The City uses a combination of insurance and self-insurance for risk protection. Certain coverage has been obtained for high risk activities or as required by law. Damage to City property, repair or replacement costs, if excessive in nature, would have to be made from the operating budget, or possibly, bond funds. All liability claims not covered by insurance are handled by the City Counselor's Office. The City's staff of attorneys attempts to settle or defend all claims which may be made. Each year an appropriation is made to a judgment account, which is segregated and reserved in a non-profit corporation from which all judgments or settlements are paid. Expenditures during the last five Fiscal Years were:

Fiscal Year	Expenditures
1996	$ 1,963,802
1997	3,463,703
1998	1,782,545
1999	2,126,023
2000	1,359,187

Source: City Comptroller's Office.

During Fiscal Year 1992, the City turned the administration of all workers' compensation responsibilities over to the Public Facilities Protection Corporation. A third party administrator was contracted to process all claims and make recommendations regarding workers' compensation concerns. The utilization of a third party administrator working with improved City safety efforts has resulted in a reduction of numbers and severity of workers' compensation claims. This has also enabled the City to process claims and payments more timely as well as provide more timely and accurate statistical data.

DEBT OF THE CITY

General

The City is authorized to issue general obligation bonds payable from unlimited ad valorem taxes upon a two- thirds (2/3) majority vote of the qualified voters voting on the specific proposition. In August 1988, Missouri voters approved an amendment to the Missouri Constitution. The amendment reduced the majority vote required for the incurrence of debt for various public purposes by local government and other political subdivisions from two-thirds (2/3) to four-sevenths (4/7) at elections on the general municipal election days or the state primary or general election days. Because the City Charter presently requires a two-thirds (2/3) vote for the issuance of bonds of the City, voter approval of a Charter amendment is needed to reduce the majority requirements as authorized by the State constitutional amendment. Such a Charter amendment was submitted to City voters in August and November 1988; at each election the proposal received more than a majority of the votes cast, but less that the required 60%. The Missouri Constitution provides that the amount of bonds payable out of tax receipts (which includes bonds payable from the special assessments) will not exceed 10% of the total assessed valuation of the taxable property of the City. The Constitution permits the City to become indebted for an additional 10% of the value of the taxable tangible property for the purpose of acquiring a right-of-way, construction, extending and improving a sanitary or storm sewer system.

The City is also authorized to issue revenue bonds to finance capital improvements to its water system, sewer system and Airport facilities. These types of revenue bonds require a two-thirds vote of the qualified electorate voting on the specific proposition. All revenue bonds issued by the City are payable solely out of the revenue derived from the operation of the facility that is to be financed with the proceeds of such bonds. Revenue bonds do not constitute a pledge of the full faith and credit of the City and are not considered in determining the legal debt margins resulting from the limitations described herein.

Likewise, the City is authorized by statute to issue "Tax Increment Financing" obligations pertaining to development projects. In July 1991, the City issued $15,000,000 of Tax Increment Revenue Bonds (Scullin Redevelopment Area), Series 1991A, for the St. Louis Marketplace project. Such obligations are secured by increments of revenues attributable to property and other taxes generated by improvements to the project area, and may also be secured by annual appropriations from the City's General Revenue Fund. As part of the St. Louis Marketplace financing, the City covenanted to request annual appropriations from the General Revenue Fund beginning in Fiscal Year 1993 to cover any shortfalls in the payment of debt service on these bonds until such time as the aforementioned incremental revenues are at least equal to 150% of the annual debt service payments on said bonds for five consecutive years. According to the Comptroller's office, the City has not covered any shortfalls to date; however there can be no assurances that they will not be called upon to do so in the future.

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Tax Increment Financing Projects

The City has entered into the following Tax Increment Financing projects. To the extent that the City has issued or will issue Tax Increment Revenue Bonds to finance the projects, such bonds will be paid from the payments in lieu of taxes generated in the respective tax increment areas and are not anticipated to affect the City's General Fund:

TIFs	Estimated TIF Costs	TIF Area Approved
St. Louis Marketplace (Scullin)[(1)]	$ 15,000,000	07/20/1990
Cupples[(3)]	52,200,000	03/08/1991
4548 West Pine[(1)]	300,000	12/22/1997
Argyle[(4)]	3,000,000	12/17/1998
Chouteau/Compton[(3)]	3,600,000	12/17/1998
Convention Center Hotel[(5)]	50,000,000	12/08/1998
Edison Brothers Warehouse[(3)]	5,300,000	01/29/1999
St. Louis Riverfront Mooring Site (Robert E. Lee)[(2)]	600,000	01/29/1999
Center for Emerging Technologies[(6)]	978,000	12/21/1999
100 N. Condominium[(2)]	400,000	02/09/2000

(1) Financed by the City's Tax Increment Revenue Bonds.

(2) Not yet financed, but the City anticipates that it will issue Tax Increment Revenue Bonds to finance the Project by the end of the fiscal year.

(3) Financed by developer issued bonds which may be assumed by the City in three years.

(4) Financed by parking revenue bonds with the Tax Increment Revenue Bonds to supplement repayment in the event surplus operating revenues fall short.

(5) Financed by Section 108 Loan from Department of Housing and Urban Development, with Community Development Block Grant Funds and Contractual PILOTS received from the Hotel Developer.

(6) Financed by developer issued bonds.

Source: City Comptroller's Office

Short-Term Borrowing

The City first issued Tax and Revenue Anticipation Notes ("TRANs") during the Fiscal Year 1984. The following table sets forth certain information concerning the issuance of TRANs since Fiscal Year 1997.

Fiscal Year	TRANs Issued During Fiscal Year	As a Percent of General Fund Revenues[1]
1997	$ 37,000,000	10.76%
1998	32,000,000	8.95%
1999	38,000,000	10.33%
2000	40,000,000	10.70%
2001	42,000,000	10.59%
2002	43.000,000	10.67%[2]

[1]The percentage is based on cash, rather than modified accrual revenues. Revenue also includes transfers from other funds.

[2]Based on estimated General Fund Revenues.
Source: City Comptroller's Office.

Outstanding Debt

The following table sets forth the principal amount of all bonds, other than the above mentioned Tax Increment Financing obligations, issued by the City which were outstanding as of March 31, 2001:

Bonds	Amount Outstanding
General Obligation Bonds	$ 60,249,742
Water Revenue Bonds	42,990,000
Parking Revenue Bonds	43,335,000
Airport Revenue Bonds*	499,790,000
Total	$646,364,742

Source: City Comptroller's Office.

* Additional Airport Revenue Bonds were issued after March 31, 2001 in the amount of $435,000,000 (Series 2001A, Airport Development Program).

Capital Leases

The City has outstanding a number of lease-purchase agreements which can be characterized as capital leases. The major agreements of this type are listed below:

Description	Amount Outstanding April 1, 2001	Remaining Term in Years	Issue Date
Convention and Sports Facility Project and Refunding Bonds[1]	$ 62,250,000	20	Feb. 1997
Convention Center 1993A	133,402,205	13	June 1993
Convention Center 1993B	170,000	0.25	June 1993
Police Board Lease	8,940,000	7	June 1994
Justice Center Series 1996A	72,760,000	19	Aug. 1996
Justice Center Series 1996B	27,925,000	12	Aug. 1996
Civil Courts Improvements	25,340,000	12	June 1994
Forest Park Revenue Improvements	17,530,000	21	Mar. 1997
Kiel Site Rev Refunding Series 1997A	6,840,000	20	Aug. 1997
Kiel Site Rev Refunding Series 1997B	5,690,000	15	Aug. 1997
Firemen's Retirement System	22,950,000	10	Apr. 1998
Justice Center Leasehold Improvement Bonds Series 2000A	21,410,000	19	Feb. 2000
Rolling Stock	7,399,737	4	Mar. 2000
	$ 412,606,942		

[1] This pertains to the lease financing by the City, St. Louis County, and the State of Missouri, of an east expansion of the Convention Center. The bonds for the east expansion were issued by the Regional Convention and Sports Complex Authority, an entity created by State law. In addition to lease payments to pay debt service on the bonds, the City has agreed to pay the Authority $1,000,000 per annum during the term of the bonds to pay for renovations and repairs to the facility.

Source: City Comptroller's Office.

Direct and Overlapping Debt

The direct and overlapping general obligation debt of the City as of March 31, 2001 is set forth below:

	General Obligation Bonds Outstanding	Percent Applicable to St. Louis	City's Direct and Overlapping Debt
The City of St. Louis	$ 60,249,742	100%	$ 60,249,742
The Metropolitan St. Louis Sewer District-Mississippi River Subdistrict	4,025,000	31.20%	1,255,800
Board of Education of the City of St. Louis*	139,498,747	100%	139,498,747
Total	$203,773,489		$201,004,289

Source: City Comptroller's Office

Debt Ratios

The following table sets forth the City's direct and overlapping general obligation debt ratios as of March 31, 2001. These figures do not include lease agreements.

	Amount	Per Capita[1]	Ratio to Assessed Value
Total Direct Debt	$ 60,249,742	$173.04	2.21%
Total Direct and Overlapping Debt	$201,004,289	$577.29	7.37%

[1] Based on Population from U.S. Census, 2000 (348,189).
Source: City Comptroller's Office.

Legal Debt Margin

The following table sets forth the City's Legal Debt Margin as of March 31, 2001

	City Purposes Basic Limit	Streets and Sewers Additional Limit
2000 Assessed Value	$3,033,678,679	$3,033,678,679
Debt limit - 10% of assessed value	303,367,867	303,367,867
Less: General Obligation Bonds	60,249,742	0
Legal Debt Margin	$ 243,118,125	$ 303,367,867

Source: City Comptroller's Office

* Additional bonds were issued by the Board of Education on April 3, 2001 in the amount of $20,130,500.

RECENT BORROWING

Convention Headquarters Hotel Project

On December 14, 2000 the City of St. Louis closed on the financing package for the development of a Convention Headquarters Hotel of approximately 1,100 rooms to be located adjacent to the City's Convention Center, America's Center. The project will include the restoration two historic buildings (the Gateway Hotel and the Lennox Hotel) in the core of downtown St. Louis and the construction of a new hotel tower and associated parking facilities. The development team undertaking this project includes Historic Restoration, Incorporated and Marriott International, Inc., which will operate the Hotel under its Renaissance brand. The project will cost approximately $243 million, a portion of which the City is providing. The City's portion of the financing package includes: (1) leasehold revenue bonds in the principal amount of approximately $40 million, issued by the City's Industrial Development Authority, to be repaid from tax increment revenues generated by the project and secured by a deed of trust on America's Center; (2) a $50 million Section 108 loan from the Department of Housing and Urban Development to be repaid from tax increment revenues generated by the project and secured by a first deed of trust on the project; and (3) empowerment zone bonds in the principal amount of approximately $95 million, issued by the City's Industrial Development Authority, to be repaid from the project's operating revenues and secured by a junior deed of trust on the project. The remainder of the financing was provided by private sources. Remediation work on the existing hotel structures has begun as has excavation work for the construction of the new facilities. Construction is scheduled for completion in early 2003.

EMPLOYEES AND EMPLOYEE RELATIONS

The City currently employs approximately 6,400 persons who are paid from the City's General Revenue Fund, approximately 2,000 of whom are employees of the Police Department.

Under State law, employees of the City, including those of the Police Department, do not have the authority to bargain collectively. The salaries of employees of the Police Department are established by the Board of Police Commissioners within the maximum established by the General Assembly, with the provision that the City need not appropriate sums in excess of the limit established by the Hancock Amendment. All City employees, other than the commissioned employees of the Police Department, have "meet and confer" rights which means that they have the right to meet and confer with their employers to discuss salaries, benefits and other similar issues. The City is obliged to discuss these issues in good faith with its employees, although the discussions are not binding. City police officers have no such rights. No City employee has the right to strike. The City considers its employee relations to be good.

RETIREMENT SYSTEMS

The City maintains three retirement plans covering substantially all full-time employees. The plans are The Employees' Retirement System, The Firemen's Retirement System, and The Police Retirement System. For each of the plans, liabilities for benefits are not limited to pension fund assets and are a statutory obligation of the City.

Contributions to all plans for the Fiscal Year ended June 30, 2000, totaled $2,982,000 from the City's General Revenue Fund.

Benefits	Plan Benefits	Plan Assets	(In Thousands) Plan Assets in Excess of (Unfunded) Plan Benefits
Employee's Retirement System	$415,595	$482,750	$67,155
Police Retirement System	673,299	684,633	11,334
Firemen's Retirement System	430,622	418,663	(11,959)

Source: City Comptroller's Office.

LITIGATION

On May 12, 2000 the Trustees of the Employees Retirement System of the City of St. Louis (the "ERS") instituted an action in mandamus, styled Board of Trustees of the Employees Retirement System v. Board of Estimate and Apportionment in St. Louis City Circuit Court, Div. 3, to compel the Board of Estimate and Apportionment to appropriate funds in the amount of approximately $3.6 million to ERS in the City Fiscal Year 2001 Budget. This claim is based upon the report of the ERS actuary, which acknowledges that the Retirement System is currently over funded, but contends that current contributions are necessary in order to meet future anticipated funding levels.

The Circuit Court of the City of St. Louis has rendered its decision in this case holding that the City does not have to appropriate the amount certified as necessary by the ERS. ERS has appealed the case to the Missouri Court of Appeals, Eastern District, which is not expected to render a decision before July 1, 2001. The City Counselor believes that ERS does not have a legal obligation to appropriate funds to the Retirement System in any fiscal year budget, and that the City will prevail on the appeal of this action.

On August 8, 2000, the voters of the City of St. Louis adopted an initiative measure (Ordinance 65045) requiring that the City of St. Louis require as part of any contract or grant over a specified sum that the contractor pay certain wage rates to its employees ("Living Wage"). A group of businesses filed suit, Missouri Hotel and Motel Ass'n. v. City of St. Louis, in the Circuit Court of the City of St. Louis, Cause No. 004-02638, Division 3, challenging the validity of the initiative ordinance and the Circuit Court entered a temporary restraining order ("TRO")in October 2000, enjoining the City from enforcing the ordinance. The case was then heard by the Court in February, 2001 and is now under submission with the trial court, with the TRO previously entered continuing in effect until a final decision is rendered by the court. Whatever decision the court ultimately renders, it should not have a material effect on the City's financial condition.

In a related action, St. Louis Living Wage Campaign, et al. v. Clarence Harmon and City of St. Louis, filed in the Circuit Court of the City of St. Louis, cause number 004-02640, Division 2, the plaintiffs seek a declaratory judgment that the living wage ordinance can be enforced within Community Improvement Districts ("CID"), and a writ or mandamus directed to the Mayor and the City to enforce the ordinance within the CID, No action has been taken on this case pending a resolution of the prior suit challenging the validity of the ordinance.

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APPENDIX B

GENERAL PURPOSE FINANCIAL STATEMENTS OF THE
CITY OF ST. LOUIS, MISSOURI FOR THE
YEAR ENDED JUNE 30, 2000

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KPMG

10 South Broadway
Suite 900
St Louis, MO 63102-1761

Independent Auditors' Report

To the Honorable Mayor and
Members of the Board of Aldermen
City of Saint Louis, Missouri:

We have audited the general purpose financial statements of the City of Saint Louis, Missouri, as of and for the year ended June 30, 2000 as listed in the Financial Section of the accompanying table of contents. These general purpose financial statements are the responsibility of the management of the City of Saint Louis, Missouri. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the pension trust funds, St. Louis Development Corporation, and the Harry S. Truman Restorative Center. The assets and additions of the pension trust funds represent 100% of the reporting entity assets and additions of the pension trust funds. The assets of St. Louis Development Corporation and Harry S. Truman Restorative Center represent 35% and 1%, respectively, of the reporting entity assets of the discretely presented component units. The revenues of St. Louis Development Corporation and Harry S. Truman Restorative Center represent 67% and 23%, respectively, of the reporting entity revenues of the discretely presented component units. The financial statements of the pension trust funds, St. Louis Development Corporation, and Harry S. Truman Restorative Center were audited by other auditors whose reports thereon have been furnished to us and our opinion, insofar as it relates to the amounts included for those funds and discretely presented component units, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

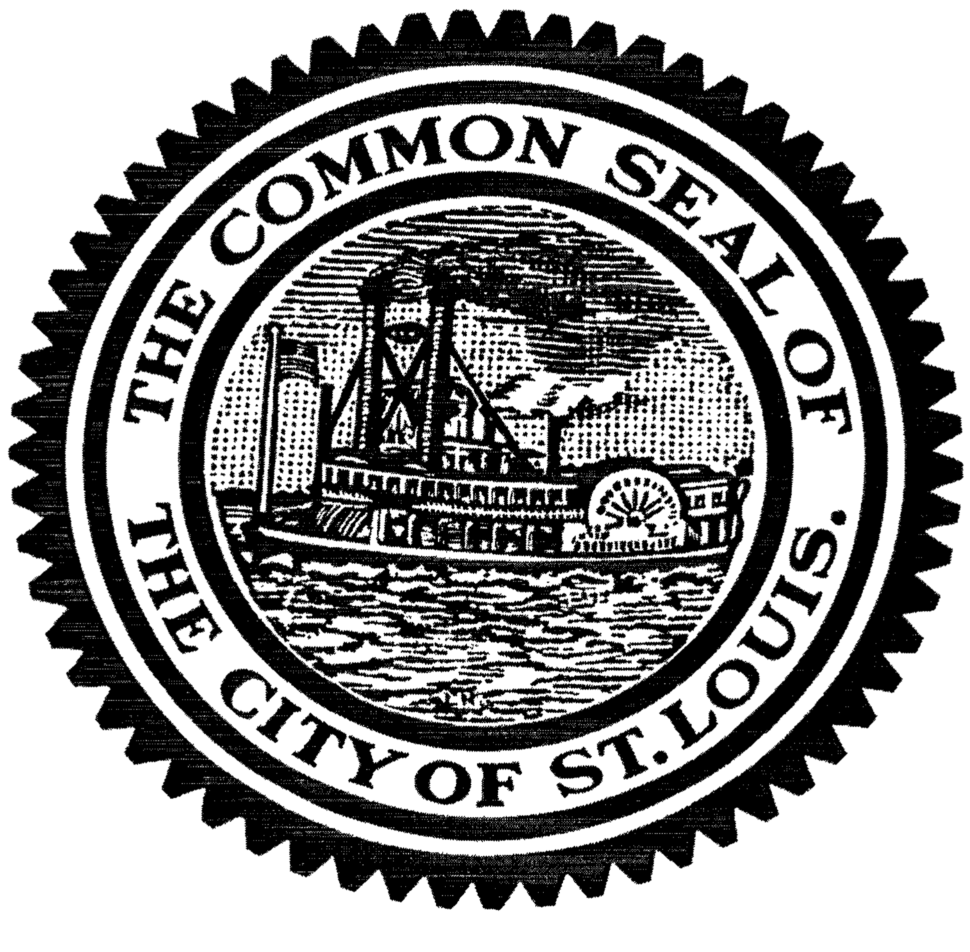
In our opinion, based upon our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Saint Louis, Missouri as of June 30, 2000, and the results of its operations, the cash flows of its proprietary fund types and discretely presented component units, and the changes in plan net assets of its pension trust funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

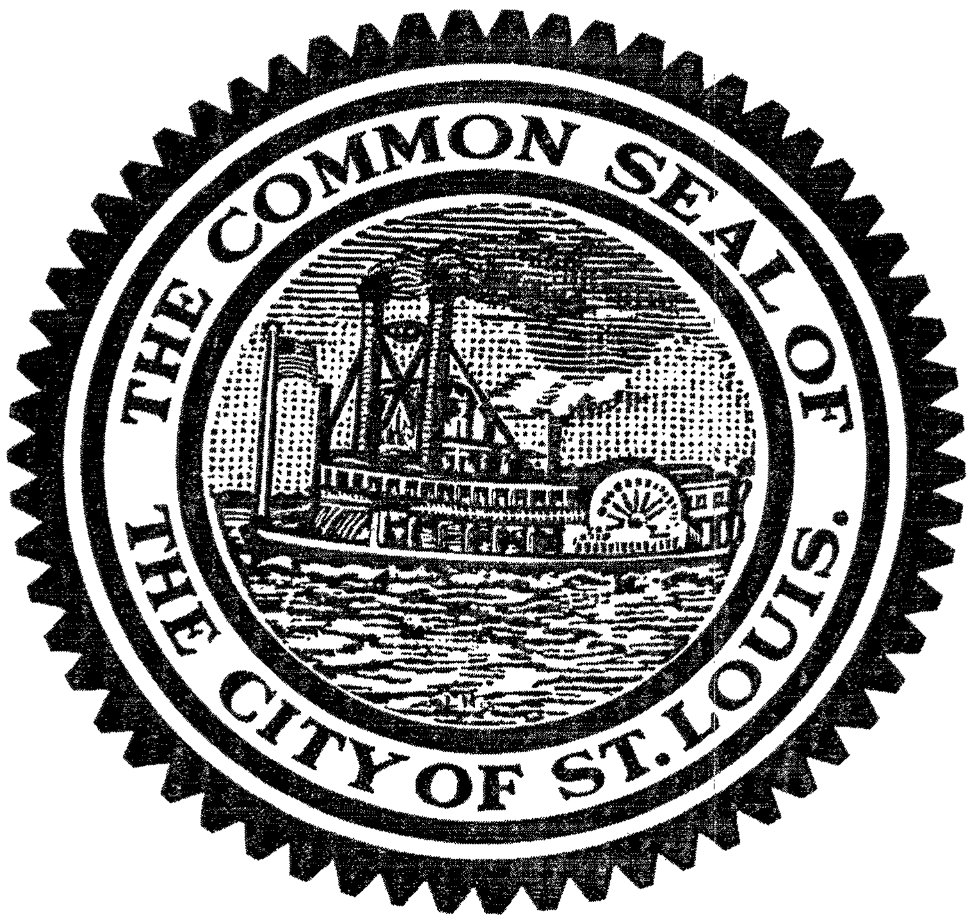
In accordance with *Government Auditing Standards*, we have also issued a report dated December 8, 2000 on our consideration of the City of Saint Louis, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, and account group financial statements and schedules listed as supplementary data in the Financial Section of the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the City of Saint Louis, Missouri. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and, in our opinion, based on our audit and the reports of other auditors, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

KPMG LLP

December 8, 2000


THE COMMON SEAL OF
THE CITY OF ST. LOUIS.


THE COMMON SEAL OF
THE CITY OF ST. LOUIS.

CITY OF SAINT LOUIS, MISSOURI
Combined Balance Sheet -
All Fund Types, Account Groups and
Discretely Presented Component Units
June 30, 2000
(Dollars in thousands)

	Governmental Fund Types				Proprietary Fund Types	
Assets	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
Cash and cash equivalents:						
Restricted	$ 4,001	231	–	6,723	62,351	–
Unrestricted	8,581	7,741	3,076	12,117	18,268	96
Investments:						
Restricted	15,248	1,182	25	73,901	319,809	–
Unrestricted	27,148	22,557	2,094	105,693	17,085	–
Receivables, net of allowances:						
Taxes	22,750	6,971	669	2,304	–	–
Intergovernmental	164	23,740	–	1,688	–	–
Charges for services	–	–	–	–	21,522	–
Contributions	–	–	–	–	–	–
Accrued interest	–	–	–	–	3,690	–
Passenger facility charges	–	–	–	–	7,281	–
Notes and loans	–	35	–	–	–	–
Other	–	–	–	–	–	–
Due from primary government	–	–	–	–	–	–
Due from component units	1,476	4,675	–	–	–	–
Due from other funds	8,363	425	1,024	14,566	489	3,248
Due from other governmental entities	–	–	–	–	–	–
Prepaid assets	–	–	–	–	–	33
Inventories	–	–	–	–	4,261	–
Property, plant, and equipment, net of accumulated depreciation	–	–	–	–	957,871	86
Property held for development, net	–	–	–	–	–	–
Deferred charges and other assets	–	–	–	–	29,484	–
Amounts available in general, special revenue, debt service and capital projects funds for retirement of general long-term obligations	–	–	–	–	–	–
Amount to be provided for retirement of general long-term obligations	–	–	–	–	–	–
Total assets	$ 87,731	67,557	6,888	216,992	1,442,111	3,463

See accompanying notes to general purpose financial statements.

Fiduciary Fund Type - Trust and Agency	Account Groups General Fixed Assets	General Long-Term Debt	Total (Memorandum Only) Primary Government	Component Units SLDC	SLPD	HSTRC	Total (Memorandum Only) Reporting Entity
–	–	–	73,306	2,678	8,144	2	84,130
32,418	–	–	82,297	10,482	131	33	92,943
–	–	–	410,165	471	26	–	410,662
1,660,323	–	–	1,834,900	–	–	–	1,834,900
26,860	–	–	59,554	–	–	–	59,554
–	–	–	25,592	–	915	–	26,507
–	–	–	21,522	–	–	779	22,301
3,184	–	–	3,184	–	–	–	3,184
8,164	–	–	11,854	–	–	–	11,854
–	–	–	7,281	–	–	–	7,281
–	–	–	35	8,479	–	–	8,514
20,528	–	–	20,528	801	401	–	21,730
–	–	–	–	3,915	5,617	–	9,532
–	–	–	6,151	–	–	–	6,151
–	–	–	28,115	122	5,163	–	33,400
–	–	–	–	1,961	–	–	1,961
–	–	–	33	225	–	21	279
–	–	–	4,261	–	–	56	4,317
–	428,804	–	1,386,761	20,126	62,054	1,640	1,470,581
–	–	–	–	18,848	–	–	18,848
–	–	–	29,484	612	–	–	30,096
–	–	29,882	29,882	–	1,373	–	31,255
–	–	506,892	506,892	–	41,354	–	548,246
1,751,477	428,804	536,774	4,541,797	68,720	125,178	2,531	4,738,226

Continued

CITY OF SAINT LOUIS, MISSOURI
Combined Balance Sheet -
All Fund Types, Account Groups and
Discretely Presented Component Units, Continued
June 30, 2000
(Dollars in thousands)

	Governmental Fund Types				Proprietary Fund Types	
Liabilities, Fund Equity, and Other Credits	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
Liabilities:						
Accounts payable and accrued liabilities	$ 4,642	6,610	–	7,811	8,115	1
Accrued salaries and other benefits	6,541	128	–	–	1,915	5
Payable from restricted cash and investments:						
Contracts and retainage	–	–	–	–	9,543	–
Accrued interest	–	–	–	–	12,096	–
Current portion of revenue bonds	–	–	–	–	26,255	–
Workers' compensation	–	–	–	–	–	–
Deposits held for others	–	–	–	–	1,297	–
Due to primary government	–	–	–	–	–	–
Due to component units	5,617	3,856	–	–	–	–
Due to other funds	276	14,864	–	–	8,096	–
Accrued interest payable	–	–	–	–	1,097	–
Due to other governmental agencies	–	–	–	–	400	–
Deferred revenue	5,306	2,978	560	–	11,026	–
General obligation bonds payable	–	–	–	–	–	–
Revenue bonds payable, net	–	–	–	–	483,557	–
Federal Financing Bank advances	–	–	–	–	–	–
MTFC direct loan agreement	–	–	–	–	–	–
Master note purchase agreement	–	–	–	–	–	–
Notes payable	–	–	–	–	–	–
Obligations under capital leases	–	–	–	–	–	–
Accrued vacation, compensatory and sick time benefits	499	–	–	–	4,405	–
Joint venture financing agreement	–	–	–	–	–	–
Joint venture cooperation agreement	–	–	–	–	–	–
Claims payable	–	–	–	–	–	9,267
Tax increment financing bonds payable	–	–	–	–	–	–
Contracts payable retained percentage	–	–	–	–	–	–
Leasehold revenue improvement and refunding bonds	–	–	–	–	–	–
Other liabilities	485	103	–	–	6,595	–
Total liabilities	23,366	28,539	560	7,811	574,397	9,273
Fund equity and other credits:						
Investment in general fixed assets	–	–	–	–	–	–
Contributed capital	–	–	–	–	240,898	418
Retained earnings (deficit):						
Reserved for revenue bond requirements	–	–	–	–	99,331	–
Unreserved	–	–	–	–	527,485	(6,228)
Fund balances:						
Reserved:						
Encumbrances	2,078	946	–	94,083	–	–
Employee retirement systems	–	–	–	–	–	–
Debt service	20,670	1,428	6,328	1,456	–	–
Capital projects	–	–	–	22,176	–	–
Unreserved:						
Designated	–	–	–	–	–	–
Undesignated	41,617	36,644	–	91,466	–	–
Total fund balances	64,365	39,018	6,328	209,181	–	–
Total fund equity	64,365	39,018	6,328	209,181	867,714	(5,810)
Total fund equity and other credits	64,365	39,018	6,328	209,181	867,714	(5,810)
Total liabilities, fund equity and other credits	$ 87,731	67,557	6,888	216,992	1,442,111	3,463

See accompanying notes to general purpose financial statements.

Fiduciary Fund Type - Trust and Agency	Account Groups: General Fixed Assets	Account Groups: General Long-Term Debt	Total (Memorandum Only) Primary Government	Component Units: SLDC	Component Units: SLPD	Component Units: HSTRC	Total (Memorandum Only) Reporting Entity
3,549	–	–	30,728	2,525	925	437	34,615
–	–	–	8,589	–	3,054	178	11,821
–	–	–	9,543	–	–	–	9,543
–	–	–	12,096	–	–	–	12,096
–	–	–	26,255	–	–	–	26,255
–	–	–	–	–	778	–	778
25,614	–	–	26,911	–	–	–	26,911
–	–	–	–	4,675	1,476	–	6,151
59	–	–	9,532	–	–	–	9,532
4,879	–	–	28,115	122	5,163	–	33,400
–	–	–	1,097	407	–	–	1,504
33,155	–	–	33,555	11,245	1,407	–	46,207
–	–	–	19,870	12	181	–	20,063
–	–	62,870	62,870	–	–	–	62,870
–	–	–	483,557	13,810	–	–	497,367
–	–	925	925	–	–	–	925
–	–	636	636	–	–	–	636
–	–	1,250	1,250	–	–	–	1,250
–	–	–	–	11,417	–	70	11,487
–	–	21,870	21,870	–	9,825	–	31,695
–	–	14,036	18,940	–	17,783	187	36,910
–	–	84,661	84,661	–	–	–	84,661
–	–	2,885	2,885	–	–	–	2,885
–	–	–	9,267	–	15,119	–	24,386
–	–	12,410	12,410	–	–	–	12,410
–	–	2,409	2,409	–	–	–	2,409
–	–	332,822	332,822	–	–	–	332,822
65,036	–	–	72,219	3,011	–	45	75,275
132,292	–	536,774	1,313,012	47,224	55,711	917	1,416,864
–	428,804	–	428,804	2,684	62,054	–	493,542
–	–	–	241,316	4,544	–	–	245,860
–	–	–	99,331	2,514	–	–	101,845
–	–	–	521,257	(220)	–	1,614	522,651
–	–	–	97,107	–	199	–	97,306
1,618,938	–	–	1,618,938	–	–	–	1,618,938
–	–	–	29,882	518	1,373	–	31,773
–	–	–	22,176	–	–	–	22,176
–	–	–	–	–	1,516	–	1,516
247	–	–	169,974	11,456	4,325	–	185,755
1,619,185	–	–	1,938,077	11,974	7,413	–	1,957,464
1,619,185	–	–	2,799,981	18,812	7,413	1,614	2,826,206
1,619,185	428,804	–	3,228,785	21,496	69,467	1,614	3,321,362
1,751,477	428,804	536,774	4,541,797	68,720	125,178	2,531	4,738,226

CITY OF SAINT LOUIS, MISSOURI
Combined Statement of Revenues, Expenditures and Changes in Fund Balances -
All Governmental Fund Types, Similar Expendable Trust Fund
and Discretely Presented Component Units
For the year ended June 30, 2000
(Dollars in thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Taxes	$ 311,310	53,803	6,082	20,198
Licenses and permits	15,891	2,608	–	–
Intergovernmental	8,255	73,795	–	7,595
Charges for services, net	14,668	12,193	–	–
Court fines and forfeitures	8,450	1,051	–	–
Investment income	4,729	1,519	3,086	8,916
Miscellaneous	3,155	1,861	–	4,960
Total revenues	366,458	146,830	9,168	41,669
Expenditures:				
Current:				
General government	37,461	18,412	–	–
Convention and tourism	1,936	163	–	–
Parks and recreation	16,275	1,929	–	–
Judicial	34,100	7,448	–	–
Streets	28,565	225	–	–
Public safety:				
Fire	45,729	7	–	–
Police	249	612	–	–
Other	29,963	6	–	–
Health and welfare	11,668	25,330	–	–
Public services	20,550	39,789	–	–
Community development	–	38,730	–	–
Capital outlay	3,920	48	–	74,193
Debt service:				
Principal	8,917	1,155	2,130	5,035
Interest and fiscal charges	20,236	1,594	2,209	5,023
Cost of issuance	888	–	–	–
Total expenditures	260,457	135,448	4,339	84,251
Excess (deficiency) of revenues over expenditures	106,001	11,382	4,829	(42,582)
Other financing sources (uses):				
Sale of general fixed assets	–	–	–	557
Proceeds from leasehold revenue bonds	2,773	–	–	19,252
Proceeds from capital lease	–	–	–	9,000
Proceeds from master note purchase agreement	–	1,250	–	–
Operating transfers in	13,439	14,434	45	24,783
Operating transfers from component units	125	250	–	–
Operating transfers from primary government	–	–	–	–
Operating transfers to component units	(114,458)	–	–	(1,317)
Operating transfers out	(24,281)	(19,059)	–	(8,502)
Total other financing sources (uses), net	(122,402)	(3,125)	45	43,773
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(16,401)	8,257	4,874	1,191
Fund balances:				
Beginning of year	80,523	31,004	1,454	207,990
Residual equity transfers	243	(243)	–	–
End of year	64,365	39,018	6,328	209,181

See accompanying notes to general purpose financial statements.

Fiduciary Fund Type - Expendable Trust	Total (Memorandum Only) Primary Government	Component Units SLDC	Component Units SLPD	Total (Memorandum Only) Reporting Entity
–	391,393	–	–	391,393
–	18,499	–	–	18,499
–	89,645	13,449	2,325	105,419
–	26,861	6,609	–	33,470
–	9,501	–	1,636	11,137
–	18,250	470	394	19,114
101	10,077	5,024	–	15,101
101	564,226	25,552	4,355	594,133
–	55,873	–	–	55,873
75	2,174	–	–	2,174
–	18,204	–	–	18,204
–	41,548	–	–	41,548
–	28,790	–	–	28,790
–	45,736	–	–	45,736
–	861	–	115,446	116,307
–	29,969	–	–	29,969
–	36,998	–	–	36,998
–	60,339	–	–	60,339
–	38,730	19,634	–	58,364
–	78,161	2,535	3,383	84,079
–	17,237	–	840	18,077
–	29,062	1,056	475	30,593
–	888	–	–	888
75	484,570	23,225	120,144	627,939
26	79,656	2,327	(115,789)	(33,806)
–	557	(84)	–	473
–	22,025	–	–	22,025
–	9,000	–	–	9,000
–	1,250	–	–	1,250
–	52,701	1,638	–	54,339
–	375	–	–	375
–	–	–	115,775	115,775
–	(115,775)	–	–	(115,775)
(2)	(51,844)	(1,551)	–	(53,395)
(2)	(81,711)	3	115,775	34,067
24	(2,055)	2,330	(14)	261
223	321,194	9,644	7,427	338,265
–	–	–	–	–
247	319,139	11,974	7,413	338,526

CITY OF SAINT LOUIS, MISSOURI
Combined Statement of Revenues and Expenditures -
Budget Basis - All Governmental Fund Types
For the year ended June 30, 2000
(Dollars in thousands)

	General			Special Revenue		
	Revised Budget	Actual	Variance - favorable (unfavorable)	Revised Budget	Actual	Variance - favorable (unfavorable)
Revenues:						
Taxes	$ 311,153	309,988	(1,165)	51,715	50,712	(1,003)
Licenses and permits	14,274	15,938	1,664	50	60	10
Intergovernmental	4,380	3,644	(736)	2,589	2,266	(323)
Charges for services, net	12,743	14,567	1,824	3,183	3,422	239
Court fines and forfeitures	4,722	5,199	477	212	281	69
Investment income	2,726	2,909	183	421	378	(43)
Miscellaneous	2,856	3,219	363	105	168	63
Total revenues	352,854	355,464	2,610	58,275	57,287	(988)
Expenditures:						
Current:						
General government	42,062	40,220	1,842	4,099	3,908	191
Convention and tourism	1,963	1,939	24	200	213	(13)
Parks and recreation	16,764	16,091	673	385	123	262
Judicial	37,148	33,277	3,871	1,170	1,144	26
Streets	30,203	28,457	1,746	–	225	(225)
Public safety:						
Fire	43,609	45,796	(2,187)	25	7	18
Police	–	–	–	558	612	(54)
Other	28,966	29,691	(725)	–	–	–
Health and welfare	12,606	11,952	654	8,250	8,250	–
Public services	20,686	20,353	333	34,594	31,198	3,396
Capital outlay	–	–	–	144	48	96
Debt service:						
Principal	7,532	7,532	–	2,623	2,605	18
Interest and fiscal charges	13,784	13,959	(175)	–	–	–
Total expenditures	255,323	249,267	6,056	52,048	48,333	3,715
Excess (deficiency) of revenues over expenditures	97,531	106,197	8,666	6,227	8,954	2,727
Other financing sources (uses) :						
Sale of general fixed assets	–	–	–	–	–	–
Operating transfers in	19,585	18,362	(1,223)	14,250	14,434	184
Operating transfers to component units	(114,585)	(114,118)	467	–	–	–
Operating transfers out	(10,962)	(13,181)	(2,219)	(16,988)	(17,959)	(971)
Total other financing (uses) sources, net	(105,962)	(108,937)	(2,975)	(2,738)	(3,525)	(787)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	$ (8,431)	(2,740)	5,691	3,489	5,429	1,940

See accompanying notes to general purpose financial statements.

Debt Service			Capital Projects			Total (Memorandum Only)		
Revised Budget	Actual	Variance - favorable (unfavorable)	Revised Budget	Actual	Variance - favorable (unfavorable)	Revised Budget	Actual	Variance - favorable (unfavorable)
6,300	6,105	(195)	18,800	19,215	415	387,968	386,020	(1,948)
–	–	–	–	–	–	14,324	15,998	1,674
–	–	–	–	–	–	6,969	5,910	(1,059)
–	–	–	–	–	–	15,926	17,989	2,063
–	–	–	–	–	–	4,934	5,480	546
850	2,350	1,500	–	1,923	1,923	3,997	7,560	3,563
–	–	–	75	72	(3)	3,036	3,459	423
7,150	8,455	1,305	18,875	21,210	2,335	437,154	442,416	5,262
–	–	–	–	–	–	46,161	44,128	2,033
–	–	–	–	–	–	2,163	2,152	11
–	–	–	–	–	–	17,149	16,214	935
–	–	–	–	–	–	38,318	34,421	3,897
–	–	–	–	–	–	30,203	28,682	1,521
–	–	–	–	–	–	43,634	45,803	(2,169)
–	–	–	–	–	–	558	612	(54)
–	–	–	–	–	–	28,966	29,691	(725)
–	–	–	–	–	–	20,856	20,202	654
–	–	–	–	–	–	55,280	51,551	3,729
–	–	–	18,075	21,403	(3,328)	18,219	21,451	(3,232)
2,130	2,130	–	4,865	3,875	990	17,150	16,142	1,008
2,229	2,209	20	9,465	5,269	4,196	25,478	21,437	4,041
4,359	4,339	20	32,405	30,547	1,858	344,135	332,486	11,649
2,791	4,116	1,325	(13,530)	(9,337)	4,193	93,019	109,930	16,911
–	–	–	675	557	(118)	675	557	(118)
–	45	45	16,325	16,183	(142)	50,160	49,024	(1,136)
–	–	–	–	–	–	(114,585)	(114,118)	467
–	–	–	(4,469)	(4,469)	–	(32,419)	(35,609)	(3,190)
–	45	(45)	12,531	12,271	(260)	(96,169)	(100,146)	(3,977)
2,791	4,161	1,370	(999)	2,934	3,933	(3,150)	9,784	12,934

CITY OF SAINT LOUIS, MISSOURI
Combined Statement of Revenues, Expenses and Changes in Fund Equity -
Proprietary Fund Types
and Discretely Presented Component Units
For the year ended June 30, 2000
(Dollars in thousands)

	Proprietary Fund Types		Total (Memorandum Only)	Component Units		Total (Memorandum Only)
	Enterprise	Internal Service	Primary Government	SLDC	HSTRC	Reporting Entity
Operating revenues:						
Aviation revenues	$ 68,288	–	68,288	–	–	68,288
Concessions	37,126	–	37,126	–	–	37,126
Water sales	38,507	–	38,507	–	–	38,507
Lease revenue	7,829	–	7,829	–	–	7,829
Parking	11,765	–	11,765	1,902	–	13,667
Charges for services	–	9,538	9,538	–	7,102	16,640
Miscellaneous	1,536	–	1,536	–	2,340	3,876
Total operating revenues	165,051	9,538	174,589	1,902	9,442	185,933
Operating expenses:						
Claims incurred	–	5,649	5,649	–	–	5,649
Premiums	–	2,155	2,155	–	–	2,155
Personal services	46,730	107	46,837	261	6,200	53,298
Materials and supplies	9,157	371	9,528	25	2,729	12,282
Purchased power	2,193	–	2,193	–	–	2,193
Contractual services	16,853	8	16,861	13	519	17,393
Miscellaneous	23,650	–	23,650	308	94	24,052
Depreciation and amortization	36,428	23	36,451	784	220	37,455
Total operating expenses	135,011	8,313	143,324	1,391	9,762	154,477
Income (loss) from operations	30,040	1,225	31,265	511	(320)	31,456
Nonoperating revenues (expenses)						
Investment income	19,800	–	19,800	134	6	19,940
Interest expense	(30,122)	–	(30,122)	(884)	–	(31,006)
Passenger facility charges	43,819	–	43,819	–	–	43,819
Miscellaneous, net	752	–	752	–	–	752
Total nonoperating revenues (expenses), net	34,249	–	34,249	(750)	6	33,505
Income (loss) before transfers	64,289	1,225	65,514	(239)	(314)	64,961
Operating transfers in	–	–	–	1,551	–	1,551
Operating transfers out	(857)	–	(857)	(1,638)	–	(2,495)
Operating transfers to primary government	–	–	–	(375)	–	(375)
Total operating transfers	(857)	–	(857)	(462)	–	(1,319)
Net income (loss)	63,432	1,225	64,657	(701)	(314)	63,642
Depreciation on contributed assets	5,348	14	5,362	–	–	5,362
Increase (decrease) in retained earnings	$ 68,780	1,239	70,019	(701)	(314)	69,004
Fund equity:						
Retained earnings (deficit):						
Beginning of year	558,036	(7,467)	550,569	2,995	1,928	555,492
Increase (decrease) in retained earnings	68,780	1,239	70,019	(701)	(314)	69,004
End of year	626,816	(6,228)	620,588	2,294	1,614	624,496
Contributed capital:						
Beginning of year	223,855	432	224,287	4,544	–	228,831
Depreciation on contributed assets	(5,348)	(14)	(5,362)	–	–	(5,362)
Government grants and other aid	22,319	–	22,319	–	–	22,319
Contributed assets	72	–	72	–	–	72
End of year	240,898	418	241,316	4,544	–	245,860
Total fund equity	$ 867,714	(5,810)	861,904	6,838	1,614	870,356

See accompanying notes to general purpose financial statements.

(Dollars in thousands)

	Proprietary Fund Types: Enterprise	Proprietary Fund Types: Internal Service	Total (Memorandum Only) Primary Government	Component Units: SLDC	Component Units: HSTRC	Total (Memorandum Only) Reporting Entity
Cash flows from operating activities:						
Income (loss) from operations	$ 30,040	1,225	31,265	511	(320)	31,456
Adjustments to reconcile income (loss) from operations to net cash provided by (used in) operating activities:						
Depreciation and amortization	36,428	23	36,451	784	220	37,455
Loss on disposal of property, plant, and equipment	15	–	15	–	–	15
Cash received for customer deposits	(68)	–	(68)	–	–	(68)
Change in assets and liabilities:						
(Increase) decrease in receivables, net	1,554	–	1,554	(49)	230	1,735
(Increase) decrease in due from other funds	414	(299)	115	(170)	–	(55)
(Increase) decrease in prepaid assets	–	37	37	(13)	(25)	(1)
Decrease in inventories	195	–	195	–	–	195
Increase in deferred charges and other assets	(1,172)	–	(1,172)	–	–	(1,172)
Increase (decrease) in accounts payable and accrued liabilities	(3,372)	2	(3,370)	(84)	(197)	(3,651)
Increase (decrease) in due to other funds	1,137	(79)	1,058	–	–	1,058
Decrease in claims payable	–	(2,030)	(2,030)	–	–	(2,030)
Decrease in other liabilities	(5,738)	–	(5,738)	–	–	(5,738)
Total adjustments	29,393	(2,346)	27,047	468	228	27,743
Net cash provided by (used in) operating activities	59,433	(1,121)	58,312	979	(92)	59,199
Cash flows from noncapital financing activities:						
Operating transfers in	–	–	–	170	–	170
Operating transfers out	(797)	–	(797)	(2,012)	–	(2,809)
Cash paid for financing of retirement plan	(311)	–	(311)	–	–	(311)
Net cash used in noncapital financing activities	(1,108)	–	(1,108)	(1,842)	–	(1,842)
Cash flows from capital and related financing activities:						
Acquisitions and construction of capital assets	(124,916)	–	(124,916)	–	(102)	(125,018)
Principal paid on revenue bonds and capital lease obligations	(24,405)	–	(24,405)	–	–	(24,405)
Principal paid on note payable	–	–	–	–	(27)	(27)
Proceeds from line of credit	–	–	–	–	12	12
Contributed capital	72	–	72	–	–	72
Interests paid on revenue bonds and capital lease obligations	(28,736)	–	(28,736)	(589)	–	(29,325)
Cash collection from passenger facility charges	43,819	–	43,819	–	–	43,819
Proceeds from sale of property and equipment	1,131	–	1,131	–	–	1,131
Receipts from federal financial assistance	23,375	–	23,375	–	–	23,375
Payments on line of credit	–	–	–	(1,723)	–	(1,723)
Proceeds from issuance of revenue bonds	11,296	–	11,296	4,864	–	16,160
Net cash provided by (used in) capital and related financing activities	(98,364)	–	(98,364)	2,552	(117)	(95,929)
Cash flows from investing activities:						
Purchase of investments	(753,045)	–	(753,045)	–	–	(753,045)
Proceeds from sales and maturities of investments	757,303	–	757,303	–	–	757,303
Investment income on cash and investments	21,535	–	21,535	134	5	21,674
Purchase of property held for development	–	–	–	(1)	–	(1)
Net cash provided by investing activities	25,793	–	25,793	133	5	25,931
Net increase (decrease) in cash and cash equivalents	(14,246)	(1,121)	(15,367)	1,822	(204)	(13,749)
Cash and cash equivalents, beginning of year	94,865	1,217	96,082	988	239	97,309
Cash and cash equivalents, end of year	$ 80,619	96	80,715	2,810	35	83,560
Cash and cash equivalents - discretely presented component unit fiduciary fund type				10,350		10,350
Total cash and cash equivalents				$ 13,160		$ 93,910

Non-cash capital and related financing activity - During 2000, SLDC enterprise fund received transferred property which resulted in an increase of property, plant and equipment of $2,964 and a decrease in due from other funds of $1,581.

See accompanying notes to general purpose financial statements.

CITY OF SAINT LOUIS, MISSOURI
Combined Statement of Changes in Plan Net Assets
For the year ended June 30, 2000
(Dollars in thousands)

Additions:		
Contributions	$	11,178
Investment income:		
Interest and dividends		47,867
Net appreciation in fair value of investments		166,568
		214,435
Less investment expense		(5,663)
Net investment income		208,772
Total additions		219,950
Deductions:		
Benefits		74,640
Inducement bonuses		10
Refunds of contributions		6,112
Administrative expense		1,934
Total deductions		82,696
Net increase		137,254
Net assets held in trust for employee pension benefits:		
Beginning of year		1,481,684
End of year	$	1,618,938

See accompanying notes to general purpose financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Saint Louis, Missouri (the City) is a constitutional charter City not a part of any county, which is organized and exists under and pursuant to the constitution and laws of the State of Missouri. The City's current form of government is provided for in its charter which first became effective in 1914 and has been subsequently amended by City voters. The City provides a wide range of municipal services as follows: fire and other public safety; parks and recreation; forestry; health, welfare and other social services; street maintenance; refuse collection; public services; community and economic development; convention and tourism; and general administrative services. The City also owns and operates a water utility, parking facilities, and an international airport as self-supporting enterprises.

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles applicable to governmental entities. The following is a summary of the more significant policies:

a. Reporting Entity

The City's financial reporting entity has been determined in accordance with governmental standards for defining the reporting entity and identifying entities to be included in its general purpose financial statements. These standards identify the City's financial accountability for potential component units as the primary, but not only, criteria for inclusion. The City is financially accountable if it appoints a voting majority of a potential component unit governing body and is able to impose its will on that potential component unit, or there is a potential for the potential component unit to provide specific financial benefits to, or impose specific financial burdens on the City. The City's financial reporting entity consists of the City of Saint Louis (the primary government) and its component units.

1. Blended Component Units

The component units discussed below are included in the City's reporting entity due to the significance of their operational or financial relationships with the City.

Public Facilities Protection Corporation (PFPC)

The PFPC is an internal service fund governed by a five member board of persons in designated City positions. The PFPC is reported as if it were part of the primary government because its sole purpose is to provide the City with a defined and funded self-insurance program for claims and judgments, and other related legal matters including workers' compensation.

St. Louis Municipal Finance Corporation (SLMFC)

The SLMFC, established in 1991, is governed by a five-member board, consisting of persons in designated City positions. The SLMFC is reported as if it were part of the primary government because its sole purpose is to lessen the burden on the City by financing or acquiring, leasing or subleasing real property and improvement thereon, and personal property to the City.

St. Louis Municipal Finance Corporation (SLMFC – II)

The SLMFC – II, established in 1993, is governed by a five member board of persons in designated City positions. The SLMFC – II is reported as if it were part of the primary government because its sole purpose is to lessen the burden on the City by financing or acquiring, leasing or subleasing real property and improvements thereon, and personal property to the City.

2. Discretely Presented Component Units

The component units columns in the general purpose financial statements include the financial data of the City's three discretely presented component units. These are reported individually to emphasize that they are legally separate from the City.

St. Louis Development Corporation (SLDC)

The SLDC was organized in 1988 to improve the efficiency and effectiveness of the economic development activity of the City. SLDC combined the administrative staffs of six independent development agencies for the purpose of coordinating administrative services for all six agencies. The agencies that are considered component units of SLDC are the Land Reutilization Authority, the Land Clearance for Redevelopment Authority, the St. Louis Industrial Development Authority, the Planned Industrial Expansion Authority, the Local Development Company, and the St. Louis Port Authority. SLDC is included as a component unit of the City due to its operational and financial relationship with the City. The City is able to impose its will on SLDC.

The Metropolitan Police Department of the City of St. Louis, Missouri (SLPD)

The SLPD, established by state statute, is administered by a five member Board of Commissioners, the Mayor and four members appointed by the Governor. The City is obligated to provide a minimum level of funding for the operations of the SLPD. SLPD's operating budget is prepared and submitted to the City for approval. SLPD has no authority to levy a tax or issue debt in its name, and therefore is dependent on the City for substantially all of its funding.

Harry S. Truman Restorative Center, James J. Wilson, City Counselor, Receiver (HSTRC)

The HSTRC is a 220-bed skilled nursing facility operated as a not-for-profit entity supported by the City and located in a City-owned building. Under court ordered receivership, the City has administrative oversight responsibility for HSTRC. This oversight is expressed in the form of an advisory board consisting of one representative from each of the offices of the Mayor, Comptroller, President of the Board of Aldermen and the City Counselor (the Receiver) as well as two executive employees of HSTRC.

Complete financial statements of the discretely presented component units may be obtained from their administrative offices as follows:

St. Louis Development Corporation
1015 Locust Street
St. Louis, Missouri 63101

The Metropolitan Police Department of the City of St. Louis
1200 Clark Avenue
St. Louis, Missouri 63103-2845

Harry S. Truman Restorative Center
5700 Arsenal Street
St. Louis, Missouri 63139-1699

3. Related Organizations

The City's officials are also responsible for appointing the voting majority of board members for other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. Thus, no financial data for these organizations are included in the City's general purpose financial statements. These organizations include the Mental Health Board, the St. Louis Housing Authority, the St. Louis Office for Mental Retardation & Development Disability Resources, and the St. Louis Public Library.

4. Joint Venture

St. Louis Regional Convention and Sports Complex Authority (Authority)

The Authority, established in 1990 as a separate legal entity by an Act of the Missouri State legislature, is governed by an 11 member Board of Commissioners. The Mayor of the City and the County Executive of the County each appoint three members and the Governor of the State appoints the remaining five commissioners. The Authority is considered a joint venture of the City, County, and State because the three governments have entered into a contractual agreement with the Authority to sponsor the issuance of convention facility bonds, to repay the facility bonds through rental payments to the Authority, and to make annual preservation payments for facility maintenance and renovations, all of which create an ongoing financial responsibility of the City. The Authority is subject to joint control of the City, County, and State. Complete financial statements for the Authority can be obtained from the Authority's administrative offices at 901 North Broadway, St. Louis, Missouri 63101.

b. Fund Accounting

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the general purpose financial statements. The following fund types and account groups are used by the City:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The acquisition, uses and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income. The following are the City's governmental fund types.

General – The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue – Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service – The debt service fund is used to account for the accumulation of resources for, and the payment of, general obligation long-term debt principal, interest and related costs.

Capital Projects – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, other that those financed by proprietary funds.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those found in the private sector. The measurement focus is on the determination of net income and capital maintenance. The following are the City's proprietary fund types.

Enterprise – Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (including depreciation) of operations are financed primarily through user charges. Enterprise funds have been established for the Lambert-St. Louis International Airport (Airport), the Water Division, and the Parking Division.

Internal Service – Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost reimbursement basis. An internal service fund has been established for the PFPC and for the Mailroom Services of the City. At June 30, 2000, the PFPC has a retained deficit of $6,321.

In reporting the financial activity of its proprietary funds, the City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

Fiduciary Fund Types

Trust and Agency – Trust and agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units or other funds. These include pension trust, expendable trust, and agency funds. Pension trust funds are accounted for and reported similar to proprietary funds. Expendable trust and agency funds are accounted for and reported similar to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Account Groups

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term debt as follows:

General Fixed Assets Account Group - This account group is established for all fixed assets of the City, other than those accounted for in the proprietary funds.

General Long-Term Debt Account Group - This account group is established to account for all long-term obligations of the City except debt accounted for in the proprietary funds.

c. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the general purpose financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The City records transactions during the year on the basis of cash receipts and disbursements. At year-end, entries are recorded for financial reporting purposes to reflect the modified accrual basis of accounting for governmental funds types, expendable trust and agency funds, and the accrual basis of accounting for the proprietary fund types and pension trust funds.

Under the modified accrual basis of accounting, revenues are recorded when both measurable and available. The term "available" is defined as collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized when the related fund liability is incurred, except for principal and interest on general obligation debt which is recognized when due.

Permits, court fines and forfeitures, charges for services and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. City earnings and payroll taxes are also recognized as revenue when received in cash since they are not generally measurable until remitted by the taxpayers. Interest on investments is recorded as earned since it is measurable and available. Licenses, sales and utilities gross receipts taxes are considered measurable and available when in the hands of intermediary collecting governments or agencies and are recognized as revenue at that time. Property taxes are considered measurable when levied and recognized as revenue when they become available. "Available" means when due or past due and receivable within the current period and collected within the current period or expected to be collected within 60 days following the end of the current period.

Intergovernmental revenues, representing grants and assistance received from other governmental units, are generally recognized as revenues to the extent expenditures are incurred under the terms and conditions of the grant agreements. Any excess or deficiency of grant revenue received compared to expenditures incurred is recorded as deferred revenue or accounts receivable from the grantor.

Under the accrual basis of accounting used by the proprietary fund types and pension trust funds, revenues are recognized when earned and expenses are recognized when incurred. Unbilled service revenues are accrued by the Airport and Water Division based on estimated billings for services provided through the end of the current fiscal year.

Component Units – SLDC, SLPD, and HSTRC

The SLDC and HSTRC proprietary funds are recorded on the accrual basis of accounting. The governmental fund types and the fiduciary fund type - expendable trust funds of SLDC and SLPD follow the modified accrual basis of accounting.

d. Property Taxes

Taxes are levied annually in November based on the assessed valuation of all real and personal property located in the City as of the previous January 1. The City tax rate levied November 1999 was $1.62 per $100 of assessed valuation of which $1.42 is for the general fund and $.20 is for the debt service fund. Taxes are billed in November and are due and collectible on December 31. All unpaid taxes become delinquent on January 1 of the following year and attach as an enforceable lien on the related property at that date.

e. Budgets

The City follows the procedures outlined below in establishing the budgetary data reflected in the general purpose financial statements.

1. On or before 60 days prior to the start of each fiscal year, the Budget Director submits to the Board of Estimate and Apportionment (E&A), which consists of the Mayor, the Comptroller, and the President of the Board of Aldermen, for approval and submission to the Board of Aldermen (Board), a proposed annual operating budget for the fiscal year commencing the following July 1 for the general fund; the following special revenue funds: transportation, convention and tourism, licensed gaming, assessor, lateral sewer lines, tax increment financing, child support unit, victim assistance, communications division, health care trust, miscellaneous special funds; the debt service fund; and the following capital projects funds: capital improvements and capital improvement sales tax trust fund. The operating budgets include proposed expenditures and the means of financing them at the sub-fund level. A public hearing is held by E&A in order to afford citizens an opportunity to be heard on the proposed budget. The Board may reduce any item except amounts fixed by state statute or for the payment of principal or interest of the City debt or for meeting any ordinance obligations, but may not

increase such amount nor insert new items. Expenditures may not legally exceed appropriations at the fund level; however, supplemental appropriations may be made by the Board.

2. The annual operating budgets are adopted by the affirmative vote of a majority of the members of the Board and approval by the Mayor on or before the last day of the preceding budget year. In event the Board has not acted upon the proposed budget ordinance by this time, the budgets, as recommended by E&A or in its absence, the submission by the Budget Director, shall be considered to be adopted and approved by the Board.

3. During the year, management with the approval of E&A, may transfer part or all of any encumbered appropriation balance among programs within a department, office or agency, without approval of the governing body. Legislative action is required when the budget for an entire fund is to be increased. The amount of such transfers during the year was not significant.

4. If it is determined that there are revenues in excess of those estimated in the budget that are available for appropriation, the Board may, by ordinance, make supplemental appropriations for the year up to the amount of such excess. The amount of such supplemental appropriation for the year was not significant.

5. At the end of each budget period, all unencumbered appropriated balances lapse, with the exception of appropriations for capital improvements that lapse upon completion of the related capital improvement project.

The City's budgetary process is based upon accounting for certain transactions on a basis other than accounting principles generally accepted for governmental entities in the United States of America (GAAP). To provide a meaningful comparison of actual results with the budget, the actual results of operations are presented in the Combined Statement of Revenues and Expenditures – Budget and Actual – Budget Basis – All Governmental Fund Types in accordance with the budget basis of accounting.

The major differences between the budget and GAAP bases of accounting are:

1. Revenues are recorded when received in cash (budget) as opposed to when they are measurable and available (GAAP).

2. Expenditures are recorded when paid (budget) as opposed to when the obligation is incurred (GAAP).

3. Certain activities and funds of the general, special revenue, and capital projects fund types are not included in the annual operating budgets adopted by the Board.

4. Rental payments for various capital lease arrangements are recorded as current expenditures when paid to third-party trustees for budget purposes rather than when the principal and interest on the related leasehold revenue bonds are due (GAAP).

f. Cash and Investments

The City Treasurer maintains a cash and investment pool that is available for use by all funds including certain component units, except expendable trust and pension trust funds. In accordance with the City's budget ordinance the majority of investment income is considered earned by the general fund except for earnings otherwise legally restricted for a specific purpose. Income from investments associated with one fund is not assigned to another fund for other than legal or contractual reasons. In addition, cash and investments are separately maintained by other City officials, several of the City's departments and third-party trustee and fiscal agents.

Investments are recorded at fair value. Fair values for investments are determined by closing market prices at year end as reported by the investment custodian.

g. Inventories

Purchase of materials and supplies in the governmental fund types are charged to expenditures as incurred. Amounts of inventories in such funds are immaterial. For the enterprise fund type, inventories are recorded at cost using a method that approximates the first-in, first-out method or the moving average cost method, and the expense is recognized when inventories are consumed in operations.

h. Property, Plant, and Equipment

General Fixed Assets

General fixed assets of the primary government, SLPD, and SLDC are those that have been acquired for general government purposes. Upon acquisition, such assets are recorded as expenditures in the appropriate governmental fund type or expendable trust fund and capitalized at historical cost or estimated historical cost in the general fixed asset account group. Assets donated are capitalized at fair market value at the time received. No depreciation has been provided on general fixed assets, except for SLDC general fixed assets which are net of accumulated depreciation.

Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, including roads, curbs and gutters, storm sewers, streets and sidewalks, bridges, wharves and docks, lighting systems and other immovable assets are not capitalized. Such assets normally are immovable and of value only to the City. Therefore, the purpose of stewardship for capital expenditures can be satisfied without recording these assets.

The valuation of general fixed assets purchased by the City's governmental fund types prior to May 1, 1982, is based upon a physical inventory taken in 1982, that was priced at original cost or estimated historical cost.

Airport

Property, plant, and equipment are recorded at cost. Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed on the straight-line method over the estimated useful lives of the various classes of assets. The estimated useful lives of property, plant and equipment are as follows:

(Dollars in Thousands)

	Years
Pavings	18 to 25
Buildings and facilities	20 to 30
Equipment	2 to 20

Land is recorded at cost which, in addition to the purchase price, includes appraisal and legal fees, demolition and homeowner relocation costs.

Water Division

The utility plant was originally recorded in the accounts in 1958, and was based on an engineering study of the historical cost of properties constructed by employees of the Water Division. Accumulated provisions for depreciation at the date the assets were recorded were established after a review by a consulting firm.

Additions to the utility plant subsequent to 1958 are recorded at cost. Provisions for depreciation of the utility plant are computed on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of depreciable assets are as follows:

	Years
Buildings and structures	44 to 55
Pumping equipment	28 to 44
Hydrants, transmission mains, and lines	50 to 100
Meters	33
Other equipment	5 to 25

Parking Division

Property, plant, and equipment are recorded at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets. The estimated useful lives of property, plant, and equipment are as follows:

	Years
Buildings and structures	40
Equipment	5 to 15
Parking meters and lot equipment	5 to 10

Mailroom

Property, plant, and equipment are recorded at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets. The estimated useful lives of property, plant, and equipment, other than computer equipment, are 10 years. The estimated useful life of computer equipment is 5 years.

(Dollars in Thousands)

Component Unit - SLDC

Property, plant, and equipment in the SLDC proprietary fund type are recorded at historical cost. Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed using the straight-line method over the estimated useful lives of the various classes of assets. The estimated useful lives of property, plant, and equipment are as follows:

	Years
Buildings and structures	40
Improvements other than buildings	3 to 15
Equipment	3 to 10

Component Unit - HSTRC

Property, plant, and equipment are recorded at historical cost. Donated property and equipment is recorded at fair market value when donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

i. Other Liabilities

Airport

In June 1995, the Airport entered into a forward purchase agreement with certain financial institutions. Under this agreement, the Airport received a lump-sum interest payment of $7,209 (present value of future interest earnings based on an interest rate of 6.34%) and deposited it into the debt service accounts related to the Airport Revenue Bonds, Series 1987 (Bond Series 1987), Airport Revenue Refunding and Improvement Bonds, Series 1992 (Bonds Series 1992), Taxable Airport Revenue Refunding Bonds, Series 1993 (Bonds Series 1993), and Taxable Airport Revenue Bonds, Series 1993A (Bonds Series 1993A). In exchange, the Airport has contracted to buy qualified, eligible securities (as defined in the agreement) from these institutions on the 15th of every month until the bonds mature, are called or are refinanced. The institutions receive the actual interest earned on the Airport securities purchased every month. The difference between the fixed interest rate earned by the Airport and the variable interest rate paid to the institutions is recorded as a net adjustment to interest expense. In April 1996, this agreement was amended to replace the Bonds Series 1987 with the Airport Revenue Refunding Bonds, Series 1996 (Bonds Series 1996). A $95 termination payment was made in consideration for the amendment.

The Airport's obligation under the forward purchase agreement of $3,971 at June 30, 2000 is recorded in other liabilities.

Water Division

In 1996, the Water Division entered into a forward purchase agreement with a financial institution. Under this agreement, the Water Division received a lump-sum interest payment of $941 (present value future interest earnings based on an interest rate of 6.2%) and deposited it into the waterworks revenue account. In exchange, the Water Division has contracted to buy qualified eligible (as defined in the agreement) securities from this institution on the 10th of every month until the water revenue bonds mature, are called, or are refinanced. The institution, in turn, receives the actual interest earned on the Water Division securities purchased every month. During 1999, the forward purchase agreement was amended to include the 1998 Water Revenue Bonds revenue account. The Water Division's obligation under the forward purchase agreement of $659 is recorded as other liabilities at June 30, 2000.

j. Passenger Facility Charges (PFCs)

The Airport collects a $3 facility charge per enplaned passenger to fund approved Federal Aviation Administration (FAA) projects. The PFC is withheld by the respective airlines for each ticket purchased and passenger transfer made in St. Louis and remitted to the Airport one month after the month of receipt, less an $.08 per ticket operating fee retained by the airlines. PFC revenue is recognized when the earnings process is completed by the Airport and is classified as non operating revenue.

k. Contributed Capital

Contributed capital of the Airport and Water Division represents government grants and other aid used to fund capital projects. Such amounts are generally recognized as contributed capital when the expenditure is made and amounts become subject to claim for reimbursement. Depreciation recorded on property, plant, and equipment acquired with contributed funds is charged to operations and reclassified to the related contributed capital account. Depreciation recorded on all other property, plant, and equipment is charged to operations. The cost of renewal projects funded by government grants is charged to operations and reclassified to the related contributed capital account.

Contributed capital of the Parking Division represents funds contributed and fixed assets transferred from the general fixed assets account group to establish the Parking Division enterprise fund.

Contributed capital of the Mailroom represents the cost of lighting, electrical and other improvements to the office space occupied by the Mailroom. The improvements were paid for by the general fund of the City. It also includes the value of vehicles and equipment purchased by the general fund of the City.

Component Unit - SLDC

Component unit contributed capital represents funds contributed from the Fiduciary Fund Type Expendable Trust fund to the Proprietary Fund Type - Enterprise fund in connection with the development of the St. Louis Centre redevelopment area. The funds were used to acquire and construct a public parking garage on City Block 118 and for other development projects.

l. Capitalization of Interest

Net interest costs on funds borrowed to finance the construction of property, plant and equipment are capitalized and depreciated over the life of the related asset for the proprietary fund types. Interest is not capitalized in the general fixed assets account group for assets related to the governmental fund types.

m. Amortization

In governmental fund types, bond discounts and issuance costs are recognized in the current period. In the proprietary fund type, bond discounts are recorded as a reduction of the debt obligation and bond issuance costs are recorded as a deferred charge. Such amounts are amortized using the interest method or bonds outstanding method over the term of the related revenue bonds. The deferred amount on refunding is amortized as a component of interest expense over the remaining life of the bonds using the bonds outstanding method.

n. Compensated Absences

The City grants vacation to full-time and part-time employees who work 50% of full-time or more based on years of continuous service. Compensatory time is granted to certain employees for hours worked in excess of a normal week that are not taken within the current bi-weekly pay period. These benefits are allowed to accumulate and carry over, with limitations, into the next calendar year and will be paid to employees upon departure from service for any reason. The accrued benefit liability for vacation and compensatory time related to governmental fund types has been recorded in the general long-term debt account group as it is not expected to be liquidated with expendable available resources. The proprietary funds accrue vacation and compensatory time as earned.

Effective June 21, 1998, non-uniformed employees who have an unused sick leave balance may, at retirement, elect to receive payment for the sick leave balance. As no historical data exists to estimate the portion of sick leave that will result in termination payments, a liability has not been accrued on the accompanying general purpose financial statements except in the respective funds for those employees who retired in the first quarter of fiscal year 2001 who received termination payments as a result of accrued sick leave.

o. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the appropriation, is employed in the governmental fund types. Encumbrances outstanding at year-end do not constitute expenditures or liabilities for GAAP or budgetary basis financial statement purposes.

p. Interfund Transactions

The City has the following types of transactions among funds:

Operating Transfers

Legally authorized transfers are reported when incurred as "operating transfers in" by the recipient fund and as "operating transfers out" by the disbursing fund.

Residual Equity Transfers

Non-routine or nonrecurring transfers between funds are reported as additions to or deductions from the fund equity balance.

Quasi-External Transaction

Charges or collections for services rendered by one fund for another are recognized as revenues of the recipient fund and expenditures or expenses of the disbursing fund. These transactions are recorded as quasi-external transactions because they would be treated as revenues and expenditures or expenses if they involved organizations external to the City.

q. Reserved Fund Balance

Reserved fund balance represents the portion of fund balance that is not available for subsequent year appropriation and is legally segregated for a specific future use. In addition to encumbrances, donor restricted projects, and employee retirement systems, reserved fund balances at June 30, 2000, are comprised of the following:

General Fund

Cash and investments with trustees to be used for debt service related to the Convention Center, the Kiel Site Project, Civil Courts, Justice Center, and Firemen's System Revenue Bonds.

Special Revenue Fund

Cash and investments with a trustee to be used for debt service of the Scullin Tax Increment Financing Bonds.

Debt Service Fund

Cash and investments to be used for bond principal payments.

Capital Projects Fund

Cash and investments with trustees to be used for debt service and construction related to the Forest Park Redevelopment.

r. Statement of Cash Flows

For the purpose of the statement of cash flows, cash and cash equivalents are defined as all highly liquid investments (including restricted assets) with a maturity of three months or less at the date of purchase.

s. Use of Estimates

The preparation of general purpose financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the general purpose financial statements and the reported amounts of revenue, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

(Dollars in Thousands)

t. Total (Memorandum Only) Column

The total columns are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flows in conformity with GAAP; nor are such data comparable to a consolidation as interfund eliminations have not been made in the aggregation of this data.

2. BUDGETARY BASIS OF ACCOUNTING

The combined Statement of Revenues and Expenditures – Budget and Actual – Budget Basis – All Governmental Fund Types presents comparisons of the legally adopted budgets, as amended, with actual data on a budgetary basis. As defined in Note 1, the budgetary data are presented on a basis that differs significantly from the modified accrual (GAAP) basis of accounting.

Adjustments necessary to reconcile the excess (deficiency) of revenues and other financing sources over expenditures and other financing uses from the GAAP basis to the budget basis of accounting are as follows:

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
GAAP basis	$ (16,401)	8,257	4,874	1,191
Increase (decrease) due to :				
Revenue accruals	(10,994)	819	(713)	(1,139)
Expenditure accruals	11,190	(4,389)	-	(2,015)
Unbudgeted activities and funds	13,465	742	-	4,897
Budget basis	$ (2,740)	5,429	4,161	2,934

For the year ended June 30, 2000, expenditures exceeded appropriations in the Convention and Tourism, Licensed Gaming, and Communications Division special revenue funds and the Capital Improvements capital project fund by $3, $207, $258, and $284 respectively, as a result of actual expenditures exceeding budget estimates.

3. DEPOSITS AND INVESTMENTS

Primary Government

While certificates of deposit are defined as investments for balance sheet classification and cash flow purposes, for proper custodial risk disclosure they are shown here as deposits. In addition, money market mutual funds are classified as cash deposits (for all funds except pension trust funds) on the balance sheet, but as investments for custodial risk disclosure.

At year-end, the carrying amount of cash deposits was $85,223 and the bank balances totaled $111,322. Of the bank balance, $1,975 was insured by the Federal Depository Insurance Corporation (FDIC), $103,316 was covered by collateral held by the pledging banks trust department or agent in the City's name, and $4,973 was covered by collateral held by the pledging bank's trust department or agent in the pledging bank's name. The remaining $1,058 was neither insured nor collateralized.

State statutes and City investment policies authorize the deposit of funds in financial institutions and trust companies. For City funds other than pension trust funds, investments may be made in obligations of the United States government or any agency or instrumentality thereof, or bonds of the State or any city within the state with a population of 400,000 inhabitants or more, certificates of deposit, commercial paper, bankers acceptances, money market mutual funds or state investment pools, provided that no such investment shall be purchased at a price in excess of par. In addition, the City may enter into a repurchase agreement maturing and becoming payable within 90 days secured by United States Treasury obligation or obligations of the United States government agencies or instrumentalities, of any maturity, as provided by law. Pension trust funds are authorized to invest in the following:

- United States government securities.
- Common stocks of corporations organized under the laws of the United States; however, the investment in common stock cannot exceed 45% of total investments at cost.
- Publicly issued corporation bonds, debentures, notes or other evidence of indebtedness assumed or guaranteed by corporations organized under the laws of the United States with ratings of "A" or better by Moody's Investors Service.
- Short-term securities with a maximum maturity of one-year including institutional liquid assets, United States Treasury obligations, federal agency obligations, discount and interest-bearing notes from corporations, and certificates of deposit.

The Firemen's Retirement System of St. Louis, a pension trust fund (the Firemen's System), participates in securities lending programs in order to enhance investment yield. In a securities lending transaction, the Firemen's System transfers possession – but not title – of the security to the borrower. Collateral consisting of cash, letter of credit or government securities is received and held by a financial institution. The collateral maintained is at least 100% of the market value of the securities lent. The Firemen's System maintains all the rights in the collateral of a secured lender under the Uniform Commercial Code. The Firemen's System continues to earn income on the loaned security. In addition, the Firemen's System receives 60% of the net lending fees generated by each loan of securities. At the Firemen's System's fiscal year end, outstanding loans to borrowers were $23,627.

The Employee's Retirement System of St. Louis, a pension trust fund (the Employee's System), invests in global fixed income portfolio that includes foreign governmental obligations. To hedge the exchanged rate risk of holding foreign governmental obligations, the Employee's System also invests in forward foreign currency exchanged contracts. The net value of the forward foreign currency exchange contracts is reflected in the financial statements of the Employee's System as plan liability. The net gains and/or losses related to these contracts are reflected in the financial statements of the Employee System as a part of net appreciation (depreciation) in fair value of investments.

(Dollars in Thousands)

City funds in the form of cash on deposit or certificates of deposit are required to be insured or collateralized by authorized investments held in the City's name. Actual investment decisions are made by the City Treasurer, City Comptroller, Circuit Clerk and the City's trustees and fiscal agents.

The City's investments are categorized below to give an indication of the level of custodial risk assumed at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by a counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by a counterparty, or by its trust department or agent, but not in the City's name.

	Category			Total Carrying Value
	1	2	3	
Investments:				
U.S. government agency securities	$ 3,388	83,429	484,242	571,059
Pension trust funds investments:				
U.S. government securities	–	–	157,009	157,009
Corporate bonds	–	–	306,066	306,066
Stocks	–	–	757,845	757,845
Foreign government obligation	–	–	40,161	40,161
Mortgage-backed securities	–	–	93,646	93,646
	$ 3,388	83,429	1,838,969	1,925,786
Money market mutual funds				82,478
Investment agreements				11,004
Pension trust funds investments:				
FHA mortgages				95
Mortgages on real estate				41
Collective investment funds				203,473
Money market mutual funds				45,430
Managed international equity funds				47,138
Total investments (excluding certificates of deposit) – primary government				$ 2,315,445

Component Unit - SLDC

At June 30, 2000, the carrying amount of SLDC's cash deposits was $13,160 and the bank balance was $11,469. Of the bank balance, $420 was covered by federal depository insurance and $11,049 was covered by collateral held by the pledging institution's trust departments or agent in SLDC's name.

State statutes and SLDC investment policies are the same as for the primary government. SLDC funds, in the form of cash on deposit or certificates of deposit, are required to be insured or collateralized by authorized investments held in SLDC's name.

(Dollars in Thousands)

SLDC's investments are categorized below to give an indication of the level of custodial risk assumed at June 30, 2000. These categories are the same as for the primary government.

	Category 1	Category 2	Category 3	Total Carrying Value
Stock	$ –	27	–	27
Money market mutual funds				444
Total investments - SLDC				$ 471

At June 30, 2000, the market value of all investments approximates the carrying amount.

Component Unit - SLPD

At year-end, the carrying amount of SLPD's cash deposits was $5,624 and the bank balances were $6,297. Of the bank balances, $100 was insured by the FDIC and the remainder was covered by collateral pledged by the bank and held by the pledging bank's trust department or the Federal Reserve Bank of St. Louis in SLPD's name.

State statutes and City investment policies are the same as for the primary government. SLPD funds in the form of cash on deposit or certificates are required to be insured or collateralized by authorized investments held in SLPD's name. Actual investment decisions are made by the Director of Budget and Finance, the Board of Commissioner, and SLPD's fiscal agents.

While repurchase agreements are classified as cash and cash equivalents on the balance sheet, they are defined as investments for custodial risk disclosure.

SLPD's investments are categorized below to give an indication of the level of risk assumed at year-end. These categories are the same as for the primary government.

	Category 1	Category 2	Category 3	Total Carrying Value
Investments:				
Repurchase agreement	$ 1,372	1,279	–	2,651
U.S. Government securities	26	–	–	26
Total investments	$ 1,398	1,279	–	2,677

Component Unit – HSTRC

At year-end, the carrying amount of HSTRC's cash deposits was $35 and was uncollateralized.

(Dollars in Thousands)

4. RESTRICTED ASSETS

a. Airport

Cash and investments, restricted in accordance with City ordinances and bond provisions, are as follows at June 30, 2000:

Airport Bond Fund:		
Debt Service Account	$	36,107
Debt Service Reserve Account		55,064
Airport Renewal and Replacement Fund		3,500
Passenger Facility Charge Fund		32,547
Airport Development Fund		49,949
Airport Construction Fund		166,026
Airport Contingency Fund		3,160
	$	346,353

City ordinances require that revenues derived from the operation of the Airport be deposited into the unrestricted Airport Revenue Fund. From this fund, the following allocations are made (as soon as practicable in each month after the deposit of revenues but no later than five business days before the end of each month) in the following order of priority:

1. Unrestricted Airport Operation and Maintenance Fund: an amount sufficient to pay the estimated operation and maintenance expense during the next month.

2. Airport Bond Fund: for credit to the Debt Service Account if and to the extent required so that the balance in said account shall equal the accrued aggregate debt service on the bonds, to the last day of the then current calendar month. This account shall be used only for payment of bond principal and interest as the same shall become due.

3. Airport Bond Fund: for credit to the Debt Service Reserve Account: an amount sufficient to maintain a balance in such account equal to the debt service reserve requirement (an amount equal to the greatest amount of principal and interest due in any future fiscal year). This account is to be available for deficiencies in the Debt Service Account on the last business day of any month, and the balance shall be transferred to the Debt Service Account whenever the balance in the Debt Service Account (before the transfer) is not sufficient to fully pay all outstanding bonds.

4. Airport Renewal and Replacement Fund: an amount equal to $57; provided that no deposit shall be required to be made into said fund whenever and as long as uncommitted monies in said fund are equal to or greater than $3,500 or such larger amount as the City shall determine is necessary for purposes of said fund; and provided further that, if any such monthly allocation to said fund shall be less than the required amounts, the amount of the next succeeding monthly payments shall be increased by the amount of such deficiency. This fund shall be used for paying costs of renewal or replacement of capital items used in connection with the operation of the Airport.

(Dollars in Thousands)

5. A subaccount in the Revenue Fund: an amount determined from time-to-time by the City, such that if deposits were made in amounts equal to such amount in each succeeding month during each Airport fiscal year, the balance in such subaccount shall equal the amounts payable to the City with respect to such Airport fiscal year for the payment of 5% of gross receipts from operations of the Airport. A maximum of 80% of the monthly transfer to this subaccount may be paid to the City during the Airport's fiscal year. The final installment may only be paid to the City upon delivery of the Airport's audited financial statements to the Airport Bond Fund Trustee.

6. Airport Contingency Fund: an amount determined at the discretion of Airport management, to be used for the purchase or redemption of any bonds; payments of principal or redemption price of interest on any subordinated debt; improvements, extensions, betterments, renewals, replacements, repairs, maintenance or reconstruction of any properties or facilities of the Airport, or the provision of one or more reserves. These funds can also be used for any other corporate purpose of the Airport, the local airport system or other local facilities which are owned or operated by the City and are directly related to the actual transportation of passengers or property.

7. The remaining balance in the Revenue Fund shall be deposited into the Airport Development Fund. This fund shall be used for extensions and improvements to the Airport, including equipment acquisition.

City ordinances provide that in the event the sum on deposit in the Airport Bond Fund - Debt Service and Debt Service Reserve Accounts are insufficient to pay accruing interest, maturing principal or both, the balance in the Airport Contingency Fund, Airport Development Fund, and Airport Renewal and Replacement Fund, may be drawn upon, to the extent necessary, to provide for the payment of such interest, principal or both. Any sums so withdrawn from these accounts for said purposes is to be restored thereto in the manner provided for in their original establishment. City ordinances also provide that principal proceeds from the sale of Airport revenue bonds shall be held in the Airport Construction Fund from which they shall be disbursed for the purposes contemplated in these ordinances.

b. Water Division

Cash and investments restricted in accordance with City ordinances at June 30, 2000, are as follows:

Bond Funds:	
Waterworks Bond and Interest Account	$ 3,165
Water Revenue Bond Reserve Account	2,805
Water Replacement and Improvement Account	725
Total bond funds	6,695
Customer deposits	1,297
Service line maintenance account	309
Construction funds	16,718
	$ 25,019

City ordinances require that revenues derived from the operation of the Waterworks System be deposited in the Waterworks Revenue Fund. From this fund, the following allocations are made on the first business day of each month in the following order of priority:

1994 Water Revenue Bond Funds

1. To the unrestricted Waterworks Operations and Maintenance Account, an amount sufficient to pay the estimated operation and maintenance expenses during the next month.
2. To the Waterworks Bond and Interest Account, an amount at least equal to one-sixth of the amount of interest that will come due on the next interest payment date, plus an amount at least equal to one-twelfth of the aggregate principal amount of bonds that will come due on the next bond maturity date. This account is to be used only for the payments of bonds principal and interest as the same shall become due.
3. To the Water Revenue Bond Reserve Account, a sum equal to the maximum principal and interest coming due on any fiscal year on the bonds.
4. To the Water Replacement and Improvement Account, an amount equal to $25 per month until the account balance aggregates $700. This account is to be used for making replacements, extensions, and improvements to the Waterworks System, and for the purpose of meeting unforeseen contingencies and emergencies arising in the operation of the Waterworks System of the City.
5. The remaining balance in the Waterworks Revenue Fund is to be deposited into the unrestricted Water Contingent Account. This account is to be used for paying the cost of the operation, maintenance, and repair of the Waterworks System; paying the cost of extending, improving or making replacements to the Waterworks System; preventing default in, anticipating payments into, or increasing the amounts in the other accounts; paying any gross receipts tax now or hereafter levied by the City; paying the principal or the interest on any subordinate or junior lien bonds; paying any redemption premium due on the bonds; or any other lawful purpose for use by the Waterworks System.

1998 Water Revenue Bond Funds

To the Water Revenue Bond Reserve Account, a sum equal to the maximum principal and interest coming due in any fiscal year on the bonds.

Construction Funds

City ordinances also provide that the principal proceeds from the sale of Series 1994 Revenue Bonds and amounts appropriated from the Water Contingent Account shall be held in the Construction Fund from which they shall be disbursed for the purposes contemplated in these ordinances.

Customer Deposits

City ordinances provide that amounts paid by customers as deposits on water meters, construction and unclaimed meter deposits be held in escrow until such time as they are returned to customers in the form of cash or as a credit on the applicable customer's water bill.

(Dollars in Thousands)

Service Line Maintenance

In accordance with a City ordinance, the Water Division collects a two dollar per quarter surcharge from flat rate and metered residential customers having six or less dwelling units. These funds are deposited in the service line maintenance account. This account, including interest earned, is used to pay for the repair of certain portions of the water lines for these customers.

c. Parking Division

Cash and investments restricted in accordance with revenue bond indentures at June 30, 2000, are as follows:

Debt Service Reserve Funds	$ 4,211
Construction Funds	3,767
Debt Service Funds	485
Parking Trust Fund - Parking Division Accounts	1,717
Cost of Issuance Account	24
Other	584
	$ 10,788

The June 30, 2000, restricted assets are required by the Series 1999, 1998, and 1996 bond indentures. Descriptions of the above funds are as follows:

1. Debt Service Reserve Funds - Maintains funds from the proceeds of the respective Bond series to be available to pay principal of and interest on the respective Bonds if other funds are not available.
2. Construction Funds - Used to pay construction costs to complete the respective projects.
3. Debt Service Funds - Monies deposited into this account pay principal and accrued and unpaid interest on the respective Bonds.
4. Parking Trust Fund - Parking Division Accounts - Maintains funds transferred from the respective Bond account to be available to pay principal and interest on the respective refunded Bonds if other funds are not available.
5. Cost of Issuance Account – Account maintained to pay issuance costs for the respective Bonds.

The Series 1999, 1998, and 1996 Bond indentures requires that net project revenues be deposited into the respective Parking Facility Debt Service Account. From this account, revenues are applied as follows to the respective Bond series funds:

1. To the Debt Service Funds, the amount of monies sufficient to meet the debt service requirements for at least one bond year.
2. To the Debt Service Reserve Fund, the amounts, if any, required to cure any deficiency in the Debt Service Reserve Fund.
3. To the Parking Trust Fund, any amounts withdrawn in connection with the respective refunded Bonds.
4. To the Parking Facilities Renewal and Replacement Account, any remaining net project revenues.

Project revenues in excess of the amounts previously described will be applied as follows to the respective Bond series funds:

1. To the Parking Trust Fund - Parking Division Accounts - Any amounts previously withdrawn by the trustee.

2. To the Renewal and Replacement Fund - One-half of any such excess Project revenues up to a maximum amount on deposit of $750.

3. The remaining revenues will be transferred to the Parking Meter Fund, free of any restriction under the indenture.

On the fifteenth day of each month, the Treasurer of the City will pay to the trustee, to the extent of monies in the Parking Facilities Debt Service Account, an amount equal to (a) the amount required to make the amount on deposit with the trustee in the respective Interest Account equal to accrued and unpaid interest on the respective Bonds as of the first day of the immediately succeeding month (less any amounts on deposit in the Capitalized Interest Account of the Construction Fund), (b) one-twelfth of the principal amount (including mandatory sinking fund payments) due on the immediately succeeding December 15, (c) one-twelfth of the deficiency, if any, in the respective Reserve Fund Requirement as specified by the trustee in a notice given to the City pursuant to the Indenture, and (d) one-twelfth of the aggregate annual amount of any fees owing to the bank under the Reimbursement Agreement.

d. SLDC Bond Funds

Cash and investments restricted in accordance with the SLDC Parking Facilities Revenue Refunding Bonds, Series 1999, Bond Indenture consist of a Bond Reserve Account in the amount of $2,514.

The revenue bonds indenture requires that gross operating revenues be paid to the bond trustee for deposit in the parking facility fund. From this fund, the revenues are to be applied, in part, as follows:

To the Bond Reserve Account of the Bond Fund: on the tenth day of any month when the amount on deposit is less than the bonds reserve requirements of $500, an amount equal to the lesser of $10 or an amount necessary to cause the amount on deposit to equal the bond reserve requirement.

SLDC is also required to maintain on deposit at a bank a minimum balance of $500 in an interest trust account.

5. COMPONENT UNIT – SLDC NOTES AND LOANS RECEIVABLE

SLDC notes and loans receivable consist principally of Small Business Administration (SBA) loans and various other commercial loans made to third parties to facilitate development activities. The commercial loans were financed utilizing funds provided by the Community Development Agency (CDA) of the City, the Economic Development Administration, and the State of Missouri. Any repayment of these loans would be payable back to the funding source. Thus, a corresponding liability has been recorded as due to other governmental entities.

(Dollars in Thousands)

6. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The allowance for uncollectible accounts, which has been deducted from the related receivable in the combined balance sheet, consists of the following balances by fund:

Taxes receivable:		
General fund	$	164
Debt service fund		17
Agency fund		2,984
Services receivable – Enterprise funds		2,149
	$	5,314

7. PROPERTY, PLANT AND EQUIPMENT

Changes in General Fixed Assets – Primary Government

The following is a summary of changes in general fixed assets for the year ended June 30, 2000:

		Balance, June 30, 1999	Additions	Deductions	Transfers (to) from Component Unit	Balance, June 30, 2000
Land	$	63,839	3,693	–	–	67,532
Buildings and other structures		232,327	138	–	–	232,465
Improvements other than buildings		15,409	–	–	–	15,409
Equipment		85,171	13,252	4,442	760	94,741
Construction in progress		6,471	12,186	–	–	18,657
	$	403,217	29,269	4,442	760	428,804

Construction in progress consists primarily of the Transportation Center and Justice Center.

Proprietary Funds Fixed Assets

The following summarizes property, plant, and equipment held by the proprietary funds at June 30, 2000:

		Enterprise Funds				Internal Service – Mailroom
		Airport	Water Division	Parking Division	Total	
Buildings and other structures	$	354,093	31,046	20,750	405,889	25
Pavings		262,083	–	–	262,083	–
Water mains, lines and accessories		–	94,654	–	94,654	–
Equipment		58,059	36,889	4,984	99,932	153
Reservoirs		–	29,932	–	29,932	–
		674,235	192,521	25,734	892,490	178
Less accumulated depreciation		(350,469)	(86,598)	(4,593)	(441,660)	(92)
		323,766	105,923	21,141	450,830	86
Land		390,356	1,254	11,070	402,680	–
Construction in progress		63,203	34,357	6,801	104,361	–
	$	777,325	141,534	39,012	957,871	86

(Dollars in Thousands)

Construction in progress at the Airport consists of various improvements to the airfield and terminal buildings, as well as property purchased on which the Airport's expansion facilities will be constructed. Construction in progress at the Water Division consists of costs incurred for various improvements to the Waterworks system. Construction in progress at the Parking Division consists of parking facilities.

Component Unit – SLDC

The following is a summary of changes in SLDC general fixed assets for the year ended June 30, 2000:

	Balance, June 30, 1999	Additions	Deductions	Balance, June 30, 2000
Improvements other than buildings	$ –	2,523	–	2,523
Equipment	606	13	–	619
	606	2,536	–	3,142
Less accumulated depreciation	(302)	(156)	–	(458)
	$ 304	2,380	–	2,684

The following summarizes property, plant, and equipment held by the SLDC enterprise fund at June 30, 2000:

Land	$ 4,266
Buildings, equipment and structures	18,721
	22,987
Less accumulated depreciation	(5,545)
	$ 17,442

Component Unit – SLPD

The following represents a summary of changes in SLPD general fixed assets for the year ended June 30, 2000:

	Balance, June 30, 1999	Additions	Deductions	Transfers to the City	Balance, June 30, 2000
Land	$ 1,646	–	–	–	1,646
Buildings and improvements	28,976	452	–	–	29,428
Furniture and fixtures	3,584	310	–	–	3,894
Automotive equipment	8,926	1,882	23	250	10,535
Communication equipment	7,992	597	–	–	8,589
Computer equipment	7,530	198	–	–	7,728
Aircraft	219	15	–	–	234
	$ 58,873	3,454	23	250	62,054

(Dollars in Thousands)

Component Unit – HSTRC

The following summarizes property, plant, and equipment held by the HSTRC at June 30, 2000:

Furniture and fixtures	$ 3,173
Less accumulated depreciation	(1,533)
	$ 1,640

8. COMPONENT UNIT - SLDC PROPERTY HELD FOR DEVELOPMENT

SLDC property held for development consists primarily of land and property held for sale or other development purposes. This land and property is reported in the SLDC financial statements based on management's intent of ultimate disposition of the property. Proceeds received upon the sale of most of these properties will revert back to the funding source. At June 30, 2000, SLDC has established a reserve for impairment of $6,841 on its properties held for development.

9. RETIREMENT PLANS

The City contributes to two single-employer defined benefit retirement plans, the Firemen's Retirement System of St. Louis (Firemen's System) and the Police Retirement System of St. Louis (Police System), and one cost-sharing multiple-employer defined benefit retirement plan, the Employees Retirement System of the City of St. Louis (Employees System). Each system is administered by a separate Board of Trustees, who are partially appointed by City officials, plan participants, and the Governor of the State (Police System only). For financial reporting purposes, these retirement systems are included as pension trust funds of the City. Financial information for these funds has been included as of each System's fiscal year end which falls within the City's current fiscal year end as follows:

System	System Fiscal Year End
Firemen's	August 31, 1999
Police	September 30, 1999
Employees	September 30, 1999

Firemen's Retirement System of St. Louis

System Description

All firefighters qualify as members of the Firemen's System and are thereby eligible to participate from their date of hire.

The Firemen's System issues a publicly available financial report that includes financial statements and supplementary information. That information may be obtained by writing to the Firemen's Retirement System of St. Louis; 1601 South Broadway, St. Louis, Missouri, 63104.

Firefighters may elect voluntary retirement after 20 or more years of service. The monthly retirement benefit is calculated at 40% of the final two year average monthly compensation at 20 or more years of service, plus 2% of such final average compensation for each of the next five years of service, plus 5% of such final average compensation for each additional year of service over 25 years with a maximum pension of 75%. Unused accrued sick pay may increase the maximum pension beyond the 75% limitation.

The Firemen's System also provides death and disability benefits. Benefits vest after 20 years of service. Such benefits are authorized by State statutes and adopted by City ordinance.

The Firemen's System, in accordance with Ordinance 62994 of the City, initiated during the System's fiscal year ended August 31, 1994, the Deferred Retirement Option Plan (DROP). The DROP plan is available to members of the System who have achieved at least 20 years of creditable service and have eligibility for retirement. Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly into the DROP account of the member and the member's contribution will be reduced to one percent from the normal eight percent. During participation in the DROP plan the member will not receive credit for City contributions or credit service. A member may participate in the DROP plan only once for any period up to five years. At retirement the funds in the member's DROP account plus interest is available to the member in a lump sum or in installments.

In August 1997, the Trustees of the Firemen's System approved a resolution to provide additional benefits for employees of the Firemen's System in the form of severance pay and a limited retirement package. The severance pay applies to employees who are dismissed for any reason other than for just cause based on the wrongful conduct of the employee. The dismissed employee would be entitled to one month's pay for each year or part year that the employee has been employed by the Firemen's System. The retirement package is for employees who have completed five years of service. Upon completing five years of service, the employee will have five months salary credited to him or her. Thereafter the employee will be credited with a month's salary upon completion of each additional year of service. The employees' accounts will be credited each anniversary date with interest on the account at the same rate as earned by the Firemen's System.

Funding Policy

Firefighters are required to contribute 8% of their compensation to the Firemen's System, as mandated per State statute and adopted by City ordinance. The City is required to contribute the remaining amounts necessary to fund the Firemen's System. Members of the Firemen's System are entitled to a lump-sum distribution of the entire amount of their contribution without interest upon service retirement. Members whose employment terminates prior to retirement are entitled to a lump-sum distribution of their contribution, plus interest thereon.

Annual Pension Cost

Contributions of $2,837 were made to the Firemen's System by the City during the City's fiscal year ended June 30, 2000. The contributions consisted of $2,837 of normal cost in accordance with actuarially determined contribution requirements based on an actuarial valuation performed at September 1, 1999. Due to the differences in the fiscal years and timing of the actuarial valuation, the contribution requirements calculated as of September 1, 1999 are appropriated and paid in the City's fiscal year ending June 30, 2001.

Historical trend information about the City's participation in the Firemen's System is presented below to help readers assess the Firemen's System's funding status on a going-concern basis and assess progress being made in accumulating assets to pay benefits when due.

(Dollars in Thousands)

System Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1999	$ 2,837	100%	$ –
1998	6,576	51.2	–
1997	9,263	100	–

Actuarial Valuation Date	Actuarial Value of System Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
9/1/99	$ 418,663	$ 430,622	$ 11,959	97.2%	$ 29,749	40.2%
9/1/98	402,931	404,999	2,068	99.5	29,163	7.1
9/1/97	359,482	387,846	28,364	92.7	27,532	103.0

The Firemen's System's net pension assets at the beginning of the City's fiscal year were $24,527.

Significant actuarial assumptions used in the valuation of the Firemen's System are as follows:

Date of actuarial valuation	September 1, 1999
Actuarial cost method	Entry age-frozen liability method
Amortization method	30 years from establishment
Remaining amortization period	Various
Asset valuation method	3 year smoothed market
Inflation rate	3.500%, per year
Investment rate of return	8.125%, compounded annually
Projected salary increases	5.500%, per year to retirement age
Projected post-retirement benefit increases	5.000%

Police Retirement System of St. Louis

System Description

All persons who become police officers and all police officers that enter or reenter SLPD after October 1, 1957, become members of the Police System and are thereby eligible to participate from their date of hire. The Police System issues a publicly available financial report that includes financial statements and supplementary information. That information may be obtained by writing to the Police Retirement System of St. Louis; One South Memorial Drive, Suite 600; St. Louis, Missouri, 63102-2447.

Police officers may elect voluntary retirement after 20 or more years of credited service regardless of age or upon attaining age 55. The monthly allowance consists of 40% of the three-year average final monthly compensation for the first 20 years of service, plus 2% of such final average compensation for each of the next five years of service, plus 4% of average final compensation for each additional year of service after 25 years up to a maximum of 30 years. The monthly allowance of members who have at least 30 years of service is increased by 5%. The maximum pension is 75% of average final compensation. The Police System also provides death and disability benefits. Benefits vest after 20 years of service. Such benefits are established by State statute.

During the Police System year ended September 30, 1996, deferred retirement option plan (DROP) benefit provisions were added. The DROP option is available to members of the Police System who have at least 20 years of creditable service and have achieved eligibility for retirement. Members who elect DROP may continue to work for up to five years without accruing any additional retirement benefits. While they are working, their retirement allowance is accumulated in an account that earns interest at the same rate as the Police System, and the member's contribution to the system is eliminated.

During the Police System's year ended September 30, 1999, certain plan provisions were changed including 1) the widow's benefit, except for widows whose spouses die accidentally while in the line of duty, increased from 25% to 40% of the member's average final compensation. The benefit paid to widows whose spouses die accidentally while in the line of duty, increased from 50% to 75% of the member's average final compensation. 2) The dependent child's benefit upon the member's death or ordinary disability increased from 10% to 15% of the member's average final compensation. 3) The minimum monthly benefit for those participants and widows eligible to become special consultants increased from $550 to $650 (not in thousands). 4) the special advisor's benefit was extended to include current widows and future widows of current active and retired members. 5) The service retirement benefit for members with more than 30 years of service was increased to 75% of the member's average final compensation. The effect of these changes was to increase the present value of projected benefits by $48,035.

Funding Policy

Police officers are required to contribute 7% of their compensation to the Police System per State statute. The City is required to contribute the remaining amounts necessary to fund the Police System, determined in accordance with City ordinances. Members of the Police System are entitled to a lump sum distribution of the entire amount of their contribution without interest upon service retirement. Members whose employment terminates prior to retirement are entitled to a lump sum distribution of their contribution plus interest thereon.

Annual Pension Cost

No actuarially determined contributions were made to the Police System by the City during the City's fiscal year ended June 30, 2000.

(Dollars in Thousands)

Historical trend information about the City's participation in the Police System is presented below.

System Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1999	$ –	100%	$ -
1998	–	100	186
1997	–	100	357

Significant actuarial assumptions used in the valuation of the Police System are as follows:

Date of actuarial valuation	October 1, 1999
Actuarial cost method	Aggregate cost method (this method does not identify or separately amortize unfunded actuarially accrued liabilities)
Asset valuation methods	5 year smoothed average of market value
Inflation rate	3.00%, per year
Investment rate of return	8.25%, per year
Projected salary increases	2.50 - 7.00%, varying by age
Projected post-retirement benefit increases	3.00% maximum per year, cumulative increase of 30%

Employees Retirement System of the City of St. Louis

System Description

All non-uniformed employees of the City and certain other public entities funded by or providing services to residents of the City become members of the Employees Retirement System upon employment with the exception of employees hired after attaining age 60. The City's participation in the Employees System is greater than 99% of total participation of all employers.

The Employees System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Employees Retirement System of the City of St. Louis; 1300 Convention Plaza, Suite 217; St. Louis, Missouri 63103-1935.

The Employees System provides for defined benefit payments for retirement, death or disability to eligible employees or their beneficiaries based upon creditable service, final average compensation, and a benefit compensation base. Benefits vest to employees covered by the Employees System after the employee has attained five years of creditable service. The Board of Trustees approves all withdrawals, benefits and termination refunds from the Employees System's assets. An employee is eligible for normal retirement at age 65 or if the employee's age and creditable service combined equal or exceeds 85. Early retirement is at age 60, with no minimum years of creditable service; age 55, with 20 years of creditable service; or at any age after 30 years of creditable service.

(Dollars in Thousands)

Funding Policy

Employer contribution rates are established annually by the Board of Trustees based on an actuarial study. In May 1987, and in each successive fiscal year through June 1995, the Board of Trustees elected to reduce the required employer contribution rate to zero as a result of the Employee System's overfunded status. The Board of Trustees elected to require employer contributions at a rate of 1% of active member payroll effective July 1995. The Board of Trustees then elected to reduce the required employer contribution rate back to zero effective July 1996. The 1% employer contribution rate was reinstated effective July 1997.

Employees who became members of the Employees System prior to October 14, 1977, may make voluntary contributions to the Employees System equal to 3% of the employee's compensation until the employee's compensation equals the maximum annual taxable earnings under the Federal Social Security Act in effect on January 1 of the calendar year. Thereafter, voluntary employee contributions may be made equal to 6% of employee compensation. These voluntary contributions vest immediately.

For the City's fiscal year beginning July 1, 1999, the Board of Aldermen of the City did not appropriate funds to pay the requested contributions established by the Board of Trustees of the Employees System. By ordinance of the City, the Board of Trustees of the Employees System are to certify to employees of the Employees System the contribution amount for the upcoming fiscal year and the employees are to include the amounts so certified in the annual budget. On May 12, 2000, the Employee System filed a petition in the Missouri Circuit Court, Twenty-second Judicial Circuit requesting the court to issue an order requiring the City to include an amount equal to 1.9% of the City's covered payroll in the City's budget for the City's fiscal year beginning July 1, 2000. On June 30, 2000 the court ruled the Employees System's claim dismissed with prejudice.

Annual Pension Cost

Contributions of $145 were made to the Employee's System by the City during the City's fiscal year ended June 30, 2000.

Historical trend information about the City's participation in the Employees System is presented below to help readers assess the System's funding status on a going-concern basis and assess progress being made in accumulating assets to pay benefits when due.

System Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1999	$ –	100 %	$ –
1998	–	100	–
1997	–	100	–

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of System Assets (a)	Actuarial Accrued Liability (b)	Funding Excess (FE) (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	FE as a Percentage of Covered Payroll (b-a/c)
9/30/99	$ 482,750	$ 415,595	$ 67,155	116.16%	$ 193,274	34.75%
9/30/98	460,683	390,781	69,902	117.89	188,141	37.15
9/30/97	415,346	381,346	34,000	108.92	176,908	19.22

The Employees System's net pension asset at the beginning of the City's fiscal year was $4,435. As a result of the contribution made in excess of the actuarially required contribution during the City's fiscal year ended June 30, 2000 in the amount of $145, the net pension asset at June 30, 2000 was $4,580.

Significant actuarial assumptions used in the valuation of the Employees System are as follows:

Date of actuarial valuation	October 1, 1999
Actuarial cost method	Projected unit credit
Amortization method	Level percent, open
Remaining amortization period	1 year
Asset valuation methods	The book value at beginning of year; plus, 25% of the difference between market value and book for the last four years; less the member savings fund
Investment rate of return	7.75%
Projected salary increases	4.50 - 8.50%, depending on age
Projected post-retirement benefit increases	5.00% per year, maximum cumulative increase of 25%

Component Unit - SLDC

The SLDC Employees Retirement Plan and Trust (SLDC plan) is a defined contribution and became effective January 1, 1989. For the year ended June 30, 2000, required contributions of $307 which amount to 9% of current covered payroll, were made by SLDC. For the year ended June 30, 2000, SLDC's current covered payroll was $3,415 and total payroll amounted to $3,797. Employees are not required to contribute to the SLDC Plan; however, they can contribute up to 5-1/2% of their monthly compensation if they so elect. In order to be eligible under the SLDC Plan, the participant must be a full-time employee, have attained the age of 18, and completed at least three years of active service. The employees vest at a rate of 33% per annum with full vesting occurring after the end of their third year of service. The SLDC Plan does not hold any employer or related-party securities. All plan investments are self-directed by the respective plan participants, within the limitation of the plan.

10. COMPONENT UNIT - SLPD POSTEMPLOYMENT HEALTHCARE AND LIFE INSURANCE

SLPD is obligated under Chapter 84.160 RSMo to provide healthcare and life insurance benefits for former civilian and commissioned employees who retired subsequent to 1969. Currently, SLPD provides healthcare insurance for 1,155 retirees, while 1,254 retirees were provided life insurance benefits. Retirees under 65 years of age are obligated to cover $45 (not in thousands) of the monthly premium under the Prudential Point of Service or Prudential Out of Area plan. SLPD covers all other costs of the healthcare and life insurance benefits for participants. These costs are accounted for on a pay-as-you-go basis and the cost to SLPD of providing these benefits to retirees was $2,001 for healthcare and $15 for life insurance coverage in 2000.

11. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City and SLPD employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employees or other beneficiary) held in trust for the exclusive benefit of the employees. As such, the trust account and related liability are not included in the general purpose financial statements.

12. GENERAL LONG-TERM OBLIGATIONS

a. Changes in General Long-Term Debt Account Group - Primary Government

Following is a summary of the changes in general long-term debt obligations for the year ended June 30, 2000:

	Balance, June 30, 1999	Additions	Deductions	Balance, June 30, 2000
General obligation bonds payable	$ 65,000	–	(2,130)	62,870
Federal Financing Bank advances	950	–	(25)	925
MTFC Direct loan agreement	2,636	–	(2,000)	636
Tax increment financing bonds payable	13,005	–	(595)	12,410
Rolling stock capital lease	–	9,000	–	9,000
Master note purchase agreement	–	1,250	–	1,250
Obligations under capital leases with component units	13,195	–	(325)	12,870
Joint venture cooperation agreement	3,420	–	(535)	2,885
Accrued vacation, compensatory and sick time benefits	13,570	466	–	14,036
Joint venture financing agreement	87,157	–	(2,496)	84,661
Contracts payable retained percentage	539	1,870	–	2,409
Leasehold revenue improvement and refunding bonds	320,082	22,025	(9,285)	332,822
	$ 519,554	34,611	(17,391)	536,774

(Dollars in Thousands)

b. General Obligation Bonds

In June 1999, the City issued $65,000 Public Safety General Obligation Bonds, Series 1999. The series consisted of $64,305 current interest serial bonds due in the years 2000 through 2008 and 2010 through 2019 with rates ranging from 4% to 5.125%. The 2009 maturity is entirely capital appreciation bonds in the amount of $695 sold to yield 5.15% and mature at $3,655 (Collectively the "Series 1999 bonds"). The proceeds of the Series 1999 bonds will be used as follows: (i) $44,000 for new fire equipment, new fire communication equipment, reconstruction and renovation of various existing fire houses and new construction of fire houses; (ii) $10,000 for new police laboratory equipment, reconstruction and renovation of existing police buildings, and; (iii) $11,000 for demolition and abatement of various abandoned or condemned buildings under the control of the City. The Series 1999 bonds payable from ad valorem taxes to be levied without limitation as to rate or amount upon all taxable, tangible property, real and personal property within the City. The principal and interest on the Series 1999 bonds is guaranteed under a municipal bond new issue insurance policy issued by Financial Guaranty Insurance Company.

Principal and interest requirements are as follows:

		Principal	Interest	Total
Year ending June 30:				
2001	$	2,620	3,003	5,623
2002		2,725	2,898	5,623
2003		2,840	2,786	5,626
2004		2,965	2,667	5,632
2005		3,100	2,540	5,640
Thereafter		48,620	22,981	71,601
	$	62,870	36,875	99,745

c. Federal Financing Bank Advances

Federal Financing Bank Advances represent promissory notes issued by the Federal Financing Bank to the City for redevelopment projects. These notes were issued under Section 108 of the Housing and Community Development Act of 1974. Interest is payable semi-annually based on rates established by the Secretary of the Treasury on the dates the notes are made. These notes and the related interest will be repaid from intergovernmental revenues of the special revenue - government grants fund. The notes are recorded as obligations in the general long-term debt account group. In 1997, the City signed a new contract and loan agreement under Section 108 in the amount of $1,000. The proceeds were used to fund a portion of a Multi Modal distribution center which integrates trucking, railway and waterway transportation and distribution channels. The loan initially consisted of twenty variable rate notes, due in July of each year, to be retired over the twenty years ending July 2016. Interest, payable semi-annually and calculated monthly, is based on the variable rate of LIBOR plus 0.2%. In October 1997, the notes were changed to fixed rates with interest due in February and August of each year. The notes currently bear interest at rates ranging from 5.87% to 7.08%.

(Dollars in Thousands)

Principal and interest requirements are as follows:

		Principal	Interest	Total
Year ending June 30:				
2001	$	25	61	86
2002		25	60	85
2003		35	58	93
2004		35	56	91
2005		40	53	93
Thereafter		765	363	1,128
	$	925	651	1,576

d. Missouri Transportation Finance Corporation Direct Loan Agreement (MTFC)

In 1999, the City entered into a principal only loan arrangement with MTFC in the amount of $10,900 to fund a portion of the costs of constructing the St. Louis Gateway Transportation Center (SLGTC). The City received $5,450 from this loan agreement during 1999 and is to receive the remaining $5,450 during 2001. The major source of repayment funds is the Proposition M local sales tax with the remainder coming from a combination of federal transfers (ISTEA) and project net revenue. The principal will be paid from the capital projects – capital projects fund. The remaining principal balance of $636 is due in fiscal year ending June 30, 2001.

When complete, SLGTC will be a central downtown center for persons accessing urban buses, intercity buses, light rail, passenger rail (Amtrak, future commuter rail and high speed rail), the Lambert-St. Louis International Airport (via Metro Link) and provide parking and commercial space. The terminal building will include Amtrak and Greyhound terminal ticketing, baggage and handling, waiting area facilities, plus concessionaire/food service space.

e. Tax Increment Financing Bonds Payable

In 1991, the City issued $15,000 in tax increment financing bonds (Series 91 TIF Bonds) to provide funds to enable the City to acquire certain land and, upon such land, among other things, to widen and improve an existing street. The Scullin Redevelopment Area special revenue fund is used to account for the revenues, expenditures including debt service and other activities related to the Series 91 TIF Bonds. The Series 91 TIF Bonds constitute special obligations of the City, are recorded as obligations in the general long-term debt account group and are payable from payments in lieu of taxes from owners or property within the Scullin Redevelopment Tax Increment Financing Area (the 91 Area). In the event these payments are not sufficient to meet the debt service requirements, the Series 91 TIF Bonds are payable first from the additional tax revenue generated by increases in economic activities in the 91 Area, other than personal property tax revenue, and second from any monies legally available in the City's general fund. During 2000, $623 of payments in lieu of taxes were received. The Series 91 TIF Bonds bear interest at the rate of 10% per year, mature on August 1, 2010, and are subject to mandatory redemption prior to maturity.

In 1998 the City issued $300 plus accrued interest for 25 months of Tax Increment Revenue Notes (Series 98 TIF Notes) for the 4548 West Pine Redevelopment Area (the 98 Area) in order to provide for the demolition of the existing buildings on the site as well as additional infrastructure and site improvements. Townhouses will be constructed in the 98 Area. The Series 98 TIF Notes were acquired by the Washington University Medical Center at a 7% interest rate. During 2000, no of payments in lieu of taxes were received.

(Dollars in Thousands)

Principal and interest requirements for the two Tax Increment Financing debt issues are as follows:

	Series 91 TIF Bonds		Series 98 TIF Notes	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2001	$ 655	1,178	$ 7	40
2002	720	1,110	26	20
2003	795	1,034	28	19
2004	875	950	30	17
2005	960	859	31	15
Thereafter	8,105	2,648	178	37
	$ 12,110	7,779	$ 300	148

f. Rolling Stock Capital Lease

In March 2000, the City entered into a capital lease agreement with Banc One Leasing Corporation in the amount of $9,000 at a rate of 5.8%. Proceeds of the lease are to be used to purchase certain rolling stock such as dump trucks and refuse trucks. Equal payments of $2,099 are to be made annually with the final payment due March 7, 2005.

Year ending June 30:	
2001	$ 2,099
2002	2,099
2003	2,099
2004	2,099
2005	2,099
Total future minimum lease payments	10,495
Amount representing interest	(1,495)
Present value of net minimum lease payments	$ 9,000

g. Master Note Purchase Agreement

In February 2000, the St. Louis Municipal Finance Corporation (SLMFC), the City and the Federal National Mortgage Association (Fannie Mae) entered into a Master Note Purchase Agreement to provide a low interest second mortgage for use as down payment and/or to pay other purchase costs to those who buy a single family residence in the City. The City provided a deposit of $250 into a note reserve account and SLMFC pledged all payments of interest and principal from the homeowner's as payment for the Fannie Mae $1,250 loan. The SLMFC obligation is limited to the monies in the various accounts established by the agreement including the note reserve account. A trustee holds the loan proceeds to be used exclusively for the City of St. Louis Homebuyers Incentive Program (CHIPS). The program is designed to provide funding to assist homebuyers with a down payment and closing costs associated with the purchase of a home. The loan bears interest at the rate of 8.27% per annum and will mature on March 1, 2011 subject to prepayment based on the payment of the second loans to homeowner's.

(Dollars in Thousands)

h. Component Unit – SLDC Line of Credit

In March 2000, LCRA entered into a construction loan agreement set up as a line of credit for $1,000. The loan agreement requires LCRA to deposit $115 to interest reserve account prior to initial disbursement from the loan. All earnings on reserve account shall remain in the account which will be disbursed upon maturity of the loan. As of June 30, 2000, no disbursements had been made from the loan.

i. Component Unit – SLDC Notes Payable

At June 30, 2000, notes payable of SLDC consisted of the following:

SBA notes payable	$	320
Bank and other notes payable		11,097
	$	11,417

Maturities on the bank and other notes payable as of June 30, 2000 are as follows:

2001	$	8,724
2002		517
2003		1,201
2004		537
2005		118
	$	11,097

j. Component Unit – SLPD General Long-Term Debt Account Group

The following represents a summary of SLPD's general long-term debt account group transactions for the year ended June 30, 2000:

		Balance, June 30, 1999	Addition	Deduction	Balance, June 30, 2000
Accrued vacation, compensatory and sick time benefits	$	17,213	570	–	17,783
Obligations under capital leases		10,665	–	840	9,825
Claims payable		14,111	1,008	–	15,119
	$	41,989	1,578	840	42,727

(Dollars in Thousands)

k. Component Unit – HSTRC Note Payable

At June 30, 2000, note payable of HSTRC in the amount of $70 consist of an unsecured note payable, issued through the Missouri Department of Natural Resources, Local Government Program. The note payable bears interest of 2% and is payable through semi-annual installments through October 2002.

13. CAPITAL LEASES

Certain City services are provided by equipment financed under various capital lease agreements as follows:

a. Capital Lease – Kiel Site Project

The City has a master lease agreement with SLDC, whereby the City has leased Stadium East Redevelopment Project and related property and portions of the City Block 210 (the Kiel Premises) to SLDC.

SLDC subleases the Kiel Premises back to the City. In 1998, SLDC issued two series of bonds for the purpose of refunding the outstanding bonds on which the City's lease payments were based. Pursuant to the master lease agreement, the lease payments made by the City are to be used by SLDC to fund annual debt service payments for SLDC's Kiel Site Lease Revenue Refunding Bonds, Series 1997A and B, in the original amount of $13,605. The Series 1997 A and B bonds were issued by SLDC in September 1997, and the proceeds of which were used to retire SLDC's Station East Redevelopment Project Lease Revenue Bonds, Series 1990 and 1992. The capital lease obligation is recorded in the general long-term debt account group as a capital lease with component unit. The City's lease payments are payable from general fund revenues. The following is a schedule, by years, of the future minimum lease payments together with the present value of the net minimum payments for the Kiel Premises as of June 30, 2000.

Year ending June 30:	
2001	$ 974
2002	974
2003	973
2004	972
2005	974
Thereafter	16,519
Total future minimum lease payments	21,386
Amount representing interest	(8,516)
Present value of net minimum lease payments	$ 12,870

b. Component Unit - SLPD

Police Patrol Buildings

In December 1987, SLPD entered into a lease-purchase agreement with the Missouri Economic Development, Export and Infrastructure Board (Lessor). In June 1994, the Lessor issued $13,725 of Leasehold Revenue Bonds, Series 1994 (SLPD Series 1994 Bonds). Proceeds from the bonds were used to defease the previously issued Leasehold Revenue Bonds, Series 1988 (SLPD Series 1988 Bonds).

(Dollars in Thousands)

Proceeds from the SLPD Series 1988 Bonds were used to finance the purchase, construction, expansion, and improvement of real estate and buildings for SLPD's police patrol buildings. The SLPD Series 1994 Bonds are not legal obligations of SLPD or the City, but are secured by the lease payments which were structured to provide sufficient funds over the lease term to pay the principal and interest related to the bonds. The full amount of the SLPD obligation under the terms of the lease agreement was recorded in the SLPD general long-term debt account group at the time the bonds were issued.

Lease payments are payable from tax proceeds generated from the capital improvements sales tax, a 1/2 cent City sales tax increase approved by the voters on August 3, 1993. These payments, made on behalf of the SLPD, are reflected as expenditures in the SLPD general fund. The lease payments are based on the systematic retirement of the SLPD Series 1994 Bonds which bear interest at rates ranging from 3.5% to 5.7% and mature through 2007. The SLPD future lease payments under these agreements are as follows:

	Principal	Interest	Total
Year ending June 30:			
2001	$ 885	514	1,399
2002	925	467	1,392
2003	970	418	1,388
2004	1,025	365	1,390
2005	1,070	309	1,379
Thereafter	4,950	508	5,458
	$ 9,825	2,581	12,406

14. LEASEHOLD REVENUE IMPROVEMENT AND REFUNDING BONDS

Civil Courts

The SLMFC-II issued $32,505 in Leasehold Revenue Improvement Bonds, Series 1994 (Series 1994 Bonds). The Series 1994 Bonds include serial bonds in the principal amount of $16,690, and term bonds in the principal amount of $15,815. Interest is payable semiannually on all bonds. The term bonds are subject to mandatory sinking fund redemption prior to their stated maturity date of August 1, 2013. The mandatory redemption begins August 1, 2007 and each August 1st thereafter, including August 1, 2013. The proceeds of the Series 1994 Bonds are being used by the City to finance certain improvements, renovations, rehabilitation, remodeling and equipping of the Civil Courts Building.

The City's payments are secured by a pledge agreement between the City and the Series 1994 Bonds trustee. The City's payments are further insured by the Financial Guaranty Insurance Company (FGIC). The principal amount outstanding is recorded in the general long-term debt account group. The City's payments for debt service requirements are payable from the capital projects – capital improvements revenues and are based on the Series 1994 Bonds with interest rates ranging from 3.75% to 5.75%.

Convention Center

On July 15, 1993, SLMFC issued $153,607 Leasehold Revenue Refunding Bonds (Series 1993 A and B Bonds) in two series. The Series 1993 A and B Bonds were issued to refund bonds previously issued by SLDC (SLDC Bonds). Pursuant to the SLDC Bonds, SLDC held title to the Convention Center. Once the proceeds of the Series 1993A and B Bonds were deposited in an irrevocable trust to pay the principal and interest on the outstanding SLDC Bonds and certain other conditions were satisfied, the Convention Center property was conveyed to SLMFC. The Series 1993 A Bonds consisted of current interest bonds ($51,330 serial bonds and $90,465 term bonds) ranging in rates from 3.0% to 6.0% and compound interest bonds with an initial offering price of $2,567 and a final maturity amount on July 15, 2014, of $9,615. The yield to maturity for the compound interest bonds at the initial offering price was 6.4%. The Series 1993 B Bonds in the amount of $9,245 were taxable serial bonds with a final maturity on July 15, 2001, and interest rates ranging from 3.9% to 6.65%.

Lease payments calculated to meet the principal, interest and other costs related to the Series 1993 A and B Bonds are budgeted in the City's general fund.

Justice Center

In August 1996, the SLMFC issued $75,705 Leasehold Revenue Improvement Bonds, Series 1996 A (Series 1996 A Bonds) and $34,355 Leasehold Revenue Improvement and Refunding Bonds, Series 1996 B (Series 1996 B Bonds) (collectively the Justice Center Bonds). The Series 1996 A Bonds include serial bonds in the principal amount of $20,155 and term bonds in the principal amount of $55,550. The Series 1996 B Bonds include serial bonds in the principal amount of $23,500 and term bonds in the principal amount of $10,835. Interest is payable semiannually on all bonds. The term bonds are subject to mandatory sinking fund redemption prior to their stated maturity dates.

The City's payments are secured by a pledge between the City and the trustee for the Justice Center Bonds which authorizes the State to make direct payment to the trustee of the City's per diem reimbursement entitlements for costs incurred in boarding State prisoners. The City's payments are further insured by AMBAC. The principal amount of the bonds outstanding is recorded in the general long-term debt account group. The City's payments for debt service are payable from capital projects – capital improvements revenues. Interest rates on the Justice Center Bonds range from 4.25% to 6.0%.

Proceeds from the Series 1996 A Bonds are being used to construct the City Justice Center which will replace the existing municipal jail and house a total of seven hundred and thirty-two prisoners. When completed, the facility will be a major addition to the City's justice system bringing total detention capacity to over 1,500 beds. The City Justice Center site is located east of City Hall, south of the existing Federal Courthouse and west of the Federal Courthouse currently under construction. The City Justice Center is designed to meet standards established by the American Correctional Association.

In February 2000, the SLMFC issued $22,025 City Justice Center Leasehold Revenue Improvement Bonds (Series 2000A Bonds) for the purpose of financing the completion of the City Justice Center, and funding the debt service reserve fund with respect to the Series 2000A Bonds, and paying costs of issuance of the Series 2000A Bonds. The Series 2000A Bonds bearing a stated maturity of February 15, 2010, are not subject to redemption prior to their stated maturities. The Series 2000A Bonds bearing a stated maturity of February 15, 2011 are subject to optional redemption and payment prior to their stated maturities at the election of SLMFC, upon direction and instruction by the City, on February 15, 2010, and at any time thereafter, as a whole at any time in part at any time, and if in part in such order as the SLMFC shall determine, upon the direction and instruction by the City in its sole discretion, at redemption prices ranging from 100% to 101% plus accrued interest thereon to the redemption date.

The principal amount of the bonds outstanding is recorded in the general long-term debt account group. The City's payments for debt service are payable from capital projects – capital improvement revenues. Interest rates on the Justice Center 2000A Bonds range from 4.75% to 6.0%.

Forest Park

On March 1, 1997, the SLMFC issued $19,270 Forest Park Leasehold Revenue Improvement Bonds, Series 1997, (Series 1997 Bonds). The City has agreed, subject to annual appropriation, to make payments from the Forest Park Subaccount in the Capital Improvements Sales Tax Fund sufficient for the prompt payment when due of the principal, and interest on the Series 1997 Bonds. As long as any Series 1997 Bonds remain outstanding, the percentage of the one-half cent capital improvements sales tax approved by City voters on August 3, 1993 allocated to the Forest Park Subaccount may not be reduced. Payments of principal and interest on the Series 1997 Bonds is insured by a policy of municipal bond insurance issued by Financial Guaranty Insurance Company. Interest is payable February 15 and August 15 of each year and principal is payable February 15 of each year until final maturity in 2022. Interest rates on the serial bonds payable 1998 through 2012 range from 3.7% to 5.375% and the term bonds due in 2017 and 2022 have a rate of 5.5%. The City's debt service payments are made from the Capital Improvements Sales Tax Trust fund capital projects fund.

The proceeds of the Series 1997 Bonds are being used to fund a major portion of the City's contribution toward the estimated $86,000 Forest Park Master Plan (Plan). Forest Park, owned by the City, is one of the largest urban parks in the United States, encompassing 1,293 acres in the western portion of the City. As home to most of the region's important cultural institutions, including the Missouri History Museum, the St. Louis Art Museum, the St. Louis Science Center, the Municipal Opera Theater, the World's Fair Pavilion, the Jewel Box, Steinberg Rink and the St. Louis Zoo, it is a regional magnet drawing 10 to 12 million visitors (five times the population of the region) per year. After two years of planning, the City adopted the Plan in 1995 to integrate Forest Park's natural and man-made systems into a cohesive and mutually beneficial ecosystem. The Plan emphasizes technical and environmental designs that are economical to maintain with a "river-like" flowing water system, simplified road system, and an added 7,500 trees. The Plan is expected to be completed in five phases by 2004, the 100-year anniversary of the 1904 St. Louis World's Fair which was held in Forest Park. Forest Park Forever, a nonprofit corporation unrelated to the City, has been selected to lead the campaign for raising the estimated $43,000 needed from private individual and corporate donors to implement the Plan.

Firemen's System

On April 1, 1998, the SLMFC issued $28,695 Firemen's Retirement Systems Lease Revenue Bonds, Series 1998, (Series 1998 Bonds). Interest is paid semi-annually on the Bonds at the rate of 5.6% to 6.55%. The Series 1998 Bonds are subject to mandatory sinking fund redemption prior to maturity.

The City has covenanted, subject to annual appropriation to pay rental payments at such times and in such amounts as are necessary to assure that no default in the payment of principal, premium, or interest on the Series 1998 Bonds occurs. The Series 1998 Bonds are further secured by a mortgage and deed of trust lien upon the facility (defined as the sites, building, structures, improvements, and fixtures occupied by the City's

(Dollars in Thousands)

Fire Department Headquarters Building and 30 neighborhood engine houses) pursuant to the Deed of Trust and Security Agreement dated as of April 1, 1998. The principal amount of the bonds outstanding is recorded in the general long-term account group. The City's payments for debt service are payable from general fund revenues.

The proceeds derived from the sale of the Series 1998 Bonds will be used to prepay a portion of the City's unfunded accrued actuarial liabilities in the form of a contribution to the Firemen's Retirement System and to pay cost of issuance for the Series 1998 Bonds.

Principal and interest requirements for the Leasehold Revenue Improvement and Refunding Bonds are as follows:

	Civil Courts		Convention Center	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2001	$ 1,330	1,443	$ 4,265	7,659
2002	1,395	1,376	4,930	7,410
2003	1,465	1,304	5,755	7,128
2004	1,540	1,226	6,075	6,813
2005	1,620	1,143	6,835	6,461
Thereafter	19,320	5,399	109,617	38,864
	$ 26,670	11,891	$ 137,477	74,335

	Justice Center		Forest Park	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2001	$ 4,040	7,094	$ 435	945
2002	4,275	6,856	450	927
2003	4,480	6,651	470	908
2004	4,700	6,430	490	887
2005	4,935	6,195	515	865
Thereafter	103,705	48,965	15,605	9,271
	$ 126,135	82,191	$ 17,965	13,803

	Firemen's System	
	Principal	Interest
Year ending June 30:		
2001	$ 1,625	1,513
2002	1,720	1,412
2003	1,825	1,304
2004	1,935	1,187
2005	2,055	1,062
Thereafter	15,415	3,190
	$ 24,575	9,668

(Dollars in Thousands)

15. REVENUE BONDS PAYABLE

a. Airport

Bonds outstanding at June 30, 2000 are summarized as follows:

Bond Series 1992, interest rates ranging from 5.4% to 6.125%, payable in varying amounts through 2016	$ 28,995
Bonds Series 1993, interest rates ranging from 5.7% to 6.2%, payable in varying amounts through 2006	70,195
Bond Series 1993A, interest rates ranging from 6.0% to 6.65%, payable in varying amounts through 2006	39,455
Bonds Series 1996, interest rates ranging from 4.75% to 6%, payable in varying amounts through 2008	28,730
Bonds Series 1997, interest rates ranging from 4.1% to 6%, payable in varying amounts through 2028	199,605
Bonds Series 1998, interest rates ranging from 3.4% to 5.125%, payable in varying amounts through 2016	69,260
	436,240
Unamortized discounts and premiums	(175)
Deferred amount on refunding	9,579
	$ 426,836

On December 17, 1998 the Airport issued $69,260 in Airport Revenue Refunding Bonds, Series 1998, with an average interest rate of 4.97% to advance refund $66,815 of outstanding Series 1992 Revenue Bonds with an average interest rate of 5.85%. The net proceeds of $71,005 (after the addition of an original issue premium of $3,082 and the payment of $1,337 in underwriting fees and other issuance costs) plus an additional $2,368 of Series 1992 Debt Service Fund monies were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the $66,815 Series 1992 Revenue Bonds. As a result, this portion of the Series 1992 Revenue Bonds are considered to be defeased and the liability for these bonds has been removed from the accompanying general purpose financial statements. At June 30, 2000, $66,815 of the defeased Series 1992 Revenue Bonds are outstanding.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $7,084. This difference, reported in the accompanying financial statements as a reduction from revenue bonds payable, is being charged to operations through 2015 using the bonds outstanding method.

(Dollars in Thousands)

As of June 30, 2000, aggregate debt service requirements for the next five years and thereafter of the above issues are as follows:

		Principal	Interest	Total
Year ending June 30:				
2001	$	23,615	23,331	46,946
2002		25,940	21,933	47,873
2003		27,050	20,396	47,446
2004		29,365	18,724	48,089
2005		31,435	16,934	48,369
Thereafter		298,835	162,517	461,352
	$	436,240	263,835	700,075

Additionally, in prior years, the Airport advance funded $154,900 of Airport Revenue Bonds by placing funds in an irrevocable trust to provide for all future debt service payments on the prior bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the general purpose financial statements. At June 30, 2000, $56,760 of these bonds are considered defeased.

b. Water Division

Water revenue bonds outstanding at June 30, 2000 are payable solely from, and secured by, a pledge of net revenues from the operation of the Water Division and are summarized as follows:

Series 1994 Water Revenue Bonds, interest rates ranging from 5.4% to 7.0%, payable in varying amounts through 2006	$	15,695
Series 1998 Water Revenue Bonds, interest rates ranging from 4.1% to 4.75% payable in varying amounts through 2014		29,175
		44,870
Unamortized discount		(318)
Deferred amount on refunding of a portion of the 1994 Water Revenue Bonds		(2,748)
	$	41,804

Series 1994 Water Revenue Bonds

In April 1994, the Water Division issued $51,570 in revenue refunding and improvement bonds (Series 1994 Bonds). The Series 1994 Bonds are payable solely from and secured by the revenues of the Waterworks System. The Series 1994 Bonds were issued as part of the $170,000 of bonds approved by voters at an election held April 6, 1993. The Series 1994 Bond proceeds were principally used to finance the construction of improvements to the Waterworks System, to refund and defease all of the outstanding Series 1985 Bonds, and pay the costs of the Bonds' issuance. Proceeds of the Series 1994 Bonds were also used to pay the premiums of a municipal bond insurance policy issued by Financial Guaranty Insurance Company. This policy which guarantees the payment of principal and interest on the Series 1994 Bonds is noncancelable and extends for the term of the Series 1994 Bonds. The Water Division is subject to certain covenants under the Series 1994 Bonds.

(Dollars in Thousands)

As noted above, a portion of the Series 1994 Bond proceeds will fund the construction of certain improvements to the Waterworks System. These projects are: (1) improvements to the Chain of Rocks treatment plant sedimentation basin; (2) the rehabilitation of the 60-inch Conduit No. 1 from the Howard Bend treatment plant; (3) chlorination system improvements at the Howard Bend and Chain of Rocks plants; and (4) the improvement of the Compton Hill Reservoir. These projects respond to changing environmental regulations and maintaining the integrity and reliability of the Waterworks System.

Construction on the Compton Hill Reservoir and the rehabilitation of the 60-inch Conduit No. 1 from the Howard Bend treatment plant were completed in 1999 for total costs of $22,664 and $10,714, respectively. Chlorination system improvements and improvements to the Chain of Rocks treatment plant sedimentation basins are still in progress as of June 30, 2000 and total costs to date on these projects is $6,425 and $22,770, respectively.

Series 1998 Water Revenue Bonds

In December 1998, the Water Division issued $29,225 in Water Revenue Refunding Bonds (Series 1998 Bonds) with an average interest rate of 4.56 percent to advance refund $27,775 of a portion of the outstanding Series 1994 Bonds, maturing between 2007 and 2014, with an average interest rate of 6.02 percent. The net proceeds of $30,959, (after the subtraction of an original issue discount of $190 and the payment of $584 in underwriting fees and other issuance costs) plus an additional $2,508 of Series 1994 Bonds debt service fund monies were deposited in an irrevocable trust with an escrow agent to provide for all future payments on the $27,775 principal of the Series 1994 Bonds. As a result, this portion of the Series 1994 Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. At June 30, 2000, $27,775 of the defeased Series 1994 Bonds are outstanding.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $3,257. This difference, reported in the accompanying general purpose financial statements as a reduction from revenue bonds payable, is being charged to operations through the year 2014 using the bonds outstanding method.

Proceeds of the Series 1998 Bonds were also used to pay the premiums of a municipal bond insurance policy issued by AMBAC Assurance Corporation. This policy which guarantees the payment of principal and interest on the Series 1998 Bonds is noncancelable and extends for the term of the Series 1998 Bonds. The Water Division is subject to certain covenants under the Series 1998 Bonds.

Debt service requirements to maturity of the 1994 and 1998 Water Revenue Bonds are as follows:

	Principal	Interest	Total
Year ending June 30:			
2001	$ 1,880	2,110	3,990
2002	1,980	2,001	3,981
2003	2,090	1,854	3,944
2004	2,235	1,727	3,962
2005	2,365	1,590	3,955
Thereafter	34,320	7,742	42,062
	$ 44,870	17,024	61,894

(Dollars in Thousands)

c. Parking Division

Bonds outstanding at June 30, 2000 are summarized as follows:

Series 1996 Revenue Bonds, interest rates ranging from 3.6% to 5.375%, payable in varying amounts through 2021	$ 24,855
Series 1998 Revenue Bonds, interest rates ranging from 3.7% to 6.375%, payable in varying amounts through 2023	7,820
Series 1999 Revenue Bonds, interest rates ranging from 5.75% to 7.375%, payable in varying amounts through 2023	11,420
	44,095
Unamortized discount and deferred loss on refunding	(2,923)
	$ 41,172

On November 1, 1999, the Parking Division issued $11,420 in Parking Revenue Bonds with interest rates ranging from 5.75% to 7.375%. The Bonds consist of $5,840 Series 1999A Tax Exempt Bonds and $5,580 Series 1999B Taxable Bonds. The net proceeds of the bonds, after payment of costs of issuance and the required deposits to the Series 1999 Debt Service Reserve Fund, together with other available funds, are to be used to design, construct and equip a public parking facility on land owned by the City.

On June 1, 1998, the Parking Division issued $8,000 in Parking Revenue Bonds with interest rates ranging from 3.700% to 6.375%. The net proceeds of $8,000 were used to construct and equip a parking facility at the Marquette Building location.

On December 5, 1996, the Parking Division issued $25,820 in Parking Revenue Refunding Bonds with interest rates ranging from 3.600% to 5.375% to advance refund $22,750 of outstanding 1992 Series bonds with interest rates ranging from 4.200% to 6.625%. The net proceeds of $25,250 (after payment of $570 of original issue discount) were used to pay underwriting fees, insurance and other issuance costs and the remaining proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 Series bonds. As a result, the 1992 Series bonds are considered defeased and the liability for those bonds have been removed from the financial statements. At June 30, 2000, $21,655 of Series 1992 Bonds remained outstanding.

The Parking Division issued the Series 1996 Bonds with a par value of $25,820 to (1) pay the remaining costs of completing the Project (acquisition of real estate, the construction of a multilevel public parking garage and other parking facilities), (2) retire the Series 1992 Bonds, (3) pay issuance costs and (4) fund the Debt Service Reserve Fund. The Series 1996 Bonds are payable from, and secured by, a pledge of (1) revenues to be generated from the operation of the project, (2) certain other parking revenues derived from the activities of the Parking Division, and (3) certain revenues from parking fines and penalties collected by the City's Traffic Violations Bureau.

(Dollars in Thousands)

Debt service requirements for the Parking Division revenue bonds are as follows:

		Principal	Interest	Total
Year ending June 30:				
2001	$	760	2,515	3,275
2002		890	2,389	3,279
2003		935	2,344	3,279
2004		980	2,297	3,277
2005		1,030	2,246	3,276
Thereafter		39,500	24,347	63,847
	$	44,095	36,138	80,233

The Parking Division has a Forward Delivery Agreement with the trustee and a securities supplier. The Parking Division makes a monthly payment to the trustee who then invests the funds. The agreement can be canceled at any time by either party, however, a penalty payment is required if the Parking Division cancels the agreement.

d. Component Unit – SLDC

Revenue bonds outstanding at June 30, 2000 consist of LCRA Parking Facility Revenue Bonds Series 1999A, Parking Facility Revenue Refunding Bonds Series 1999B, and Parking Facility Revenue Refunding and Improvement Bonds Series 1999C (Bonds). The Bonds are dated October 21, 1999.

The Series 1999A bonds with an original issue amount of $2,470 are due at intervals until September 1, 2009. Bond proceeds are to repay an LCRA note payable. During the year ended June 30, 2000, no bonds were redeemed, leaving a balance of $2,470 at June 30, 2000. These bonds carry rates of interest from 7.625% to 9.0%.

The Series 1999B bonds with an original issue amount of $8,300 are due at intervals until September 1, 2019, and are payable solely from, and secured by, a pledge of gross revenues from the operation of SLDC Parking Facilities' St. Louis Centre East parking garage. The bonds may be redeemed prior to maturity at the option of LCRA and are subject to special mandatory redemption prior to maturity following the occurrence of a determination of taxability as defined in the bond indenture. During the year ended June 30, 2000, no bonds were redeemed, leaving a balance of $8,300 at June 30, 2000. These bonds carry rates of interest from 6.5% to 7.0%. A reimbursement agreement requires LCRA to maintain an irrevocable letter of credit of $8,300 to satisfy principal and interest in the event of maturity or redemption of the bonds.

The Series 1999C bonds with an original issue amount of $3,040 are due September 1, 2024. Bond proceeds are to repay an LCRA note payable and construct a parking lot on a portion of the St. Louis Centre North Garage premises. The Bonds may be redeemed prior to maturity at the option of LCRA and are subject to special mandatory redemption prior to maturity following the occurrence of a determination of taxability as defined in the bond indenture. During the year ended June 30, 2000, no bonds were redeemed, leaving a balance of $3,040 at June 30, 2000. These bonds carry a rate of interest of 7.05%.

16. JOINT VENTURE

St. Louis Regional Convention and Sports Complex Authority (Authority)

In April 1990, the Authority was established as a separate legal entity by an Act of the Missouri State legislature to acquire, purchase or lease and construct, operate and maintain convention centers, sports stadiums, field houses, indoor and outdoor convention, recreational and entertainment facilities, and to do all things incidental or necessary to facilitate these purposes.

Series C 1991 Bonds and Series C 1997 Bonds (Series C Bonds)

On August 15, 1991, the City sponsored the issuance of $60,075 in Convention and Sports Facility Project Bonds Series C 1991 (Series C 1991 Bonds). The Series C Bonds were issued by the Authority, together with the proceeds of the Authority's $132,910 principal amount of Convention and Sports Facility Project Bonds, Series A 1991 (State, Sponsor) (Series A Bonds) and the Authority's $65,685 principal amount of Convention and Sports Facility Bonds, Series B 1991 (County, Sponsor) (Series B Bonds). The Series A Bonds, the Series B Bonds and the Series C 1991 Bonds (collectively the Project Bonds) were issued for the purpose of providing funds to finance the costs of acquiring land and constructing thereon an eastward expansion of the Cervantes Convention Center to be used as a multipurpose convention and indoor sports facility (Project). On December 15, 1993, the Authority issued $121,705 in Series A refunding bonds and $60,180 in Series B refunding bonds to advance refund $101,410 of Series A Bonds and $50,275 of Series B Bonds, respectively.

During February 1997, the Authority issued Convention and Sports Facility Project and Refunding Bonds Series C 1997 (Series C 1997 Bonds) in the amount of $61,285. The proceeds were used to refund, in advance of maturity, $47,155 of the Series C 1991 bonds. A portion of the Series C 1991 Bonds maturing on August 15, 2021 are not subject to optional redemption and $8,820 remain outstanding. Approximately $2,100 of the proceeds were used for various project improvements.

The Authority entered into a Project Financing Construction and Operation Agreement dated August 1, 1991 (Financing Agreement) with the City, State and County (collectively the Sponsors) providing for the application of the proceeds of the Project Bonds, for the repayment of the Project Bonds, and for the operation and maintenance of the Project. Pursuant to the Financing Agreement, the Authority will lease the Project to the Sponsors who will sublease the project back to the Authority. The rental payments made by the Sponsors under the Financing Agreement are designed to be sufficient to pay the principal and interest on the Project Bonds. The Preservation payments to be made by the Sponsors under the Financing Agreement will be used to pay for repairs and replacement of major Project components and renovation necessary to maintain the Project. A portion of the preservation payments from each sponsor will be deposited to the Bond Fund of the Authority each year from 1994 through 1999, to pay principal and interest on the Project Bonds, On August 1 and February 1 of each year, the City is obligated (subject to appropriations) to make rental payments of $2,500 and preservation payments of $500 regardless of the principal and interest payments due.

At June 30, 2000, the City's obligation for the Series C Bonds and net preservation payments (after deposits to the Bond Fund) payable from the general fund under the Financing Agreement is as follows:

(Dollars in Thousands)

		Principal	Interest	Preservation Payments	Total
Year ending June 30:					
2001	$	1,565	3,383	1,052	6,000
2002		1,665	3,280	1,055	6,000
2003		1,770	3,169	1,061	6,000
2004		1,885	3,049	1,066	6,000
2005		2,010	2,939	1,051	6,000
Thereafter		54,920	28,519	15,561	99,000
	$	63,815	44,339	20,846	129,000

Series C Bonds' principal and the preservation payments are included in the City's general long-term debt account group as contractual obligations under a joint venture financing agreement.

Cooperation Agreement

Under the National Football League (NFL) Relocation Agreement, dated January 17, 1995, the Regional Convention and Visitors Commission (CVC), the Authority, Fans, Inc., a Missouri Corporation, St. Louis NFL Corporation, a Missouri Corporation, and the Los Angeles Rams Football Company, Inc. (Rams), and various public and private entities involved with the relocation of the Rams to St. Louis, agreed to assume certain obligations. One such matter was the provision of up to $12,500 for construction of a training facility for the Rams. Under a Cooperation Agreement between the City, the Authority, and CVC, the Authority agreed to borrow $5,000 at a rate of 6.5% for the purpose of meeting the obligations of CVC to deposit that amount in trust before November 1, 1995. The City agreed, subject to annual appropriation, to pay the Authority amounts equal to those due under the Authority's loan agreement from the receipts of the 5% tax on tickets for the Rams games in the City. The Authority agreed to apply payments received from the City to payments on the loan.

At June 30, 2000, the City's obligation for the Authority's loan payments payable from the special revenue fund under the Cooperation Agreement is as follows:

		Principal	Interest	Total
Year ending June 30:				
2001	$	570	169	739
2002		610	131	741
2003		650	90	740
2004		690	46	736
2005		365	6	371
	$	2,885	442	3,327

The City's obligation to make principal payments is included in the City's general long-term debt account group as contractual obligations under a joint venture cooperation agreement.

(Dollars in Thousands)

17. OPERATING LEASES

a. At June 30, 2000, the City was committed under miscellaneous operating leases for office space. Future minimum base rental payments under terms of the operating leases are as follows:

Year ending June 30:		
2001	$	382
2002		287
2003		268
2004		138
2005		23
	$	1,098

b. The Airport has long-term use agreements and leases with signatory air carriers that expire on December 31, 2005. Under the terms of the use agreements and leases, the air carriers have agreed to pay airfield landing fees; terminal and concourse rentals; hangar, cargo and maintenance facility rentals; and certain miscellaneous charges in consideration for use of the Airport. The use and lease agreements also require the Airport to make certain capital improvements and to provide maintenance of certain Airport facilities. Payments by the air carriers are determined as follows:

- Landing fees are calculated based on estimated operating and maintenance expenses of the airfield, and allocated to the air carriers on the basis of landing weights. Landing fee revenues are adjusted each year by retroactive rate adjustment which is calculated as the difference between estimated and actual costs incurred and estimated and actual landing weights. These revenues are included in aviation revenue.

- Rentals are calculated based on estimated operating and maintenance expenses of the terminal and concourse areas and hangars, cargo and maintenance facilities, and allocated to the air carriers on the basis of square footage utilized. Rental revenue is adjusted each year by retroactive rate adjustment which is calculated as the difference between estimated and actual costs incurred. These revenues are included in aviation revenue.

- Miscellaneous income is derived from the air carriers for their use of sanitary disposal facilities and airline service buildings.

During fiscal year 2000, revenues from signatory air carriers accounted for 62% of total Airport operating revenues.

Minimum future rentals for each year in the next five years and in the aggregate are not determinable given the method of calculation.

(Dollars in Thousands)

The following is a summary of aviation revenue by category and source from signatory and nonsignatory air carriers for the year ended June 30, 2000:

	Signatory	Nonsignatory	Total
Airfield	$ 38,091	4,065	42,156
Terminal and concourses	23,011	464	23,475
Hangars and other buildings	465	27	492
Cargo buildings	2,141	24	2,165
	$ 63,708	4,580	68,288

The Airport also leases facilities and land with varying renewal privileges to various nonsignatory air carriers, concessionaires, and others. These leases, for periods ranging from 1 to 50 years, require the payment of minimum annual rentals. The following is a schedule by year of minimum future rentals on noncancellable operating leases, other than leases with signatory airlines pursuant to long-term use agreements, as of June 30, 2000:

Year ending June 30:	
2001	$ 16,889
2002	15,906
2003	16,547
2004	11,646
2005	2,827
Thereafter	24,169
Total minimum future rentals	$ 87,984

The above amounts do not include contingent rentals which may be received under certain leases. Such contingent rentals amounted to $28,106 for the year ended June 30, 2000.

The Airport leases computer and other equipment and has service agreements under noncancellable arrangements which expire at various dates through 2003. Expenses for operating leases and service agreements were $1,254 for the year ended June 30, 2000. Future minimum payments (excluding payments for snow removal which are not determinable) are as follows:

Year ending June 30:	
2001	$ 140
2002	101
2003	32
Total minimum future rentals	$ 273

(Dollars in Thousands)

c. The SLPD leases buildings, computer equipment, and other miscellaneous items under noncancelable operating leases. Total expenditures for such leases were $158 for the year ended June 30, 2000. The future minimum lease payments for these leases are as follows:

Year ending June 30:	
2001	$ 83
2002	74
	$ 157

d. SLDC, in conjunction with the Community Development Agency (CDA), signed a five-year lease for office space which commenced March 1997. Future minimum base rents under the terms of the lease agreements, net of sublease rents received from CDA are as follows:

Year ending June 30:	
2001	$ 267
2002	178
	$ 445

Rent expenditures, net of $192 in rents received, were $312 during the year ended June 30, 2000.

(Dollars in Thousands)

18. INTERFUND BALANCES

Individual fund interfund receivable and payable balances as of June 30, 2000 are as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue – Assessor	$ 298
	Enterprise:	
	Airport	2,203
	Water Division	712
	Parking Division	1,933
	Agency:	
	Collector of Revenue	1,492
	License Collector	53
	Circuit Clerk	252
	Other Agency	1,420
		8,363
Special Revenue:		
Government Grants	General	249
Convention and Tourism	Agency – License Collector	20
Lateral Sewer Lines	Agency – Collector of Revenue	37
Other Special Revenue	Agency – Collector of Revenue	119
		425
Debt Service	Agency – Collector of Revenue	1,024
Capital Projects:		
Capital Projects	Special Revenue – Government Grants	5,595
Capital Improvements	Special Revenue – Government Grants	4,239
Capital Improvements Sales Tax Trust Fund	Special Revenue – Government Grants	4,732
		14,566
Enterprise:		
Enterprise – Water Division	Agency – Collector of Revenue	462
Enterprise – Airport	General	27
		489
Internal Service:		
PFPC	Enterprise:	
	Airport	1,240
	Water Division	1,858
	Parking Division	150
		3,248
		$ 28,115

(Dollars in Thousands)

Individual fund residual equity transfers for the year ended June 30, 2000 are as follows:

	Transfers In	Transfers Out
Special Revenue - Other	$ –	243
General	243	–
	$ 243	243

19. ENTERPRISE FUNDS SEGMENT INFORMATION

The City maintains three enterprise funds; the Airport, the Water Division and the Parking Division. Segment information for these funds as of and for the year ended June 30, 2000, is as follows:

	Airport	Water Division	Parking Division	Total
Operating revenues	$ 115,743	40,043	9,265	165,051
Operating expenses:				
Depreciation and amortization	(32,347)	(3,074)	(1,007)	(36,428)
Other	(63,042)	(30,897)	(4,644)	(98,583)
Income from operations	20,354	6,072	3,614	30,040
Nonoperating revenues (expenses):				
Investment income	17,293	1,545	962	19,800
Interest expense	(25,997)	(1,748)	(2,377)	(30,122)
Passenger facility charges	43,819	–	–	43,819
Miscellaneous, net	629	176	(53)	752
Operating transfers out	–	–	(857)	(857)
Net income	56,098	6,045	1,289	63,432
Capital contributions, net	17,113	(70)	–	17,043
Property, plant, and equipment additions (including construction in progress), net	106,599	6,450	9,226	122,275
Net working capital (excluding current restricted assets and liabilities payable from restricted assets)	21,007	8,227	2,408	31,642
Total assets	1,194,330	187,522	60,259	1,442,111
Bonds and other long-term liabilities – payable from operating revenues	407,905	41,835	40,412	490,152
Fund equity:				
Contributed capital	231,868	6,101	2,929	240,898
Retained earnings	490,020	127,609	9,187	626,816

The Airport's primary service is the operation and maintenance of the Airport. The Water Division provides water service to the general public. The Parking Division operates and maintains parking meters, public parking lots and a public parking garage. There were no operating grants, entitlements, shared revenues or tax revenues.

20. COMMITMENTS AND CONTINGENCIES

a. Grants

In connection with various federal, state, and local grant programs, the City is obligated to administer related programs and spend the grant monies in accordance with regulatory restrictions, and is subject to audit by the grantor agencies. In cases of noncompliance, the agencies involved may require the City to refund program monies. Through June 30, 2000, claims have been made on the City to make refunds under certain programs and other programs are still open as to compliance determination by the respective agencies. In the opinion of City officials, settlement of these matters will not result in a material liability to the City.

b. Commitments

At June 30, 2000, the Airport had outstanding commitments amounting to approximately $46,012 resulting primarily from contracts for construction projects. In addition, the Airport has $9,659 in outstanding commitments resulting from service agreements.

c. Trans World Airlines, Inc. (TWA)

TWA represents the major air carrier providing air passenger service at the Airport. TWA provided 43% of the Airport's total operating revenues and 67% of total revenues from signatory air carriers for the fiscal year ended June 30, 2000.

During the period from 1992 through 1995, TWA underwent two separate Chapter 11 reorganizations, the first in 1992-93 and the second in 1995.

The City purchased from TWA, all of TWA's leasehold interests relating to the use of certain gates, terminal support facilities, air cargo facilities and improvements at the Airport, together with related personal property, leasehold interest in a hangar and office building and a flight training facility (Purchased Assets).

TWA has a month-to-month lease covering the Purchased Assets with automatic renewals through December 31, 2005. If during any month TWA has an average of less than 190 regularly scheduled departures, the City has the right to reclaim and redesignate the use of gates and terminal support facilities and equipment to other airplanes so that TWA would retain only the number of gates which represents an average of 3.33 daily flight departures per gate. Also under the lease agreements, if TWA fails to make payment of any rents, fees or charges, the City may terminate all of TWA's airport agreements and retain ownership of all assets acquired under the purchase transaction.

Lease revenue from TWA was $7,829 for the year ended June 30, 2000. Accounts receivable at June 30, 2000, includes $9,870 relating to amounts owed to the Airport by TWA.

TWA's independent public accountants issued an unqualified opinion within their report dated January 28, 2000, on the financial statements of TWA as of and for the year ended December 31, 1999. TWA reported a net loss of $353.4 million for the twelve months ended December 31, 1999, compared to a net loss of $120.5 million for the same period in 1998. In addition, the reported net loss for the six month period ended June 30, 2000, increased to $80 million from a net loss of $26 million posted during the six months ended June 30, 1999. TWA's management attributes these continued net losses to the competitive environment within the airline industry and the rapid growth of regional jet airline affiliates with lower operating costs. TWA's current business strategy includes, among other things, modernizing its fleet, reducing costs and improving productivity, implementing revenue-enhancing marketing initiatives and scheduling realignments to attract higher-yield business travelers, implementing employee-related initiatives to reinforce TWA's focus on operational performance, optimizing TWA's route structure through the opening of "focus cities" and the use of regional jet feed into TWA's system, and better coordination of commuter feed, turbo prop products and schedules. Although TWA has adopted various strategies designed to increase revenues and improve its results of operations, there can be no assurance that TWA will attain its objectives or return to profitability in the near future.

Various other factors could adversely affect TWA. The resolution of claims arising from the crash of TWA Flight 800 on July 17, 1996 and the availability of insurance to cover such claims could adversely affect TWA's financial condition or its public image. TWA is currently a defendant in a number of lawsuits related to the crash. Failure to implement successfully current plans to reduce the average age of TWA's planes and to meet federal noise reduction standards could adversely affect operations. Adverse results to ongoing litigation between TWA and Karabu Corporation and Carl C. Icahn related to an agreement to market and sell tickets to the public could have an adverse affect on TWA's revenue. Any or all of these or other factors could result in a material adverse affect on TWA's operations or financial condition and adversely affect its financial viability.

Should the Airport incur a substantial loss of revenue from TWA and any Airport contingency plan to replace such revenue prove unsuccessful, the City's ability to make payments of principal, premium, if any, and interest on the outstanding bonds could be adversely affected. However, payments of the principal and interest on outstanding bonds is insured by a bond insurance policy.

d. Airport Expansion

On September 30, 1998, the Airport received a favorable Record of Decision from the Federal Aviation Administration (FAA) for the W-1W expansion of the Airport, marking the beginning of a new economic era for aviation in St. Louis. The proposed $2.6 billion program will provide the building blocks for a highly competitive "world class" aviation system for the 21st century, including:

- One additional 9,000 foot parallel runway to add capacity in all weather conditions;
- The modernization and renovation of existing terminal facilities;
- The addition of up to 25 new passenger gates;
- Additional terminal facilities, doubling the Airport's existing space;
- Renovation of Lambert's existing runway and taxiway system; and the
- Addition of more than 6,000 parking spaces.

The construction for this program will be funded with Airport Development Funds, Passenger Facilities Charges, FAA Improvement Program grants, and Airport Revenue Bonds.

Lawsuits have been filed by the Cities of St. Charles and Bridgeton, Missouri but litigation has not delayed project implementation. In a local zoning case, the St. Louis Circuit Court ruled in favor of the City of St. Louis; this ruling was upheld by the Missouri Court of Appeals. In Federal Master Plan/EIS case, the Appellate Court upheld the FAA's Record of Decision. Land acquisition activities are underway with approximately 2,000 parcels to be acquired. As of October 20, 2000, 596 offers have been accepted; of these, 539 real estate transaction have been closed; of these, 488 properties have been vacated by the sellers and are in the possession of the Airport; of these, 272 of these houses have been demolished with others to follow in the coming months.

Several design packages have been solicited with others to follow. An injunction to stop progress on this project is not anticipated by management.

e. Asbestos Removal

The Water Division has identified certain of its structures as having asbestos in place. As part of its continuing process of upgrading facilities, the costs for removal of the asbestos material and restoration or replacement of the affected areas are being included in budgets for capital projects. No mandatory time requirement is in effect. The removal plan would be accelerated by changes in plans for remodeling, if any.

f. Component Units – SLPD and SLDC

SLPD and SLDC receive financial assistance from several federal, state and local government agencies in the form of grants and contracts. The disbursements of funds received under these programs generally requires compliance with terms and conditions specified in the contract and grant agreements and is subject to audit by the granting agencies. Any disallowed claims resulting from such audits could become an SLPD or SLDC liability. However, in the opinion of their respective management, any such disallowed claims will not have a material effect on the financial statements of SLPD or SLDC at June 30, 2000.

21. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured with respect to its obligation to provide worker's compensation, general liability, and unemployment benefits to its employees. The City has sovereign tort immunity from liability and suit for compensatory damages for negligent acts or omissions, except in the case of injuries arising out of the operation of City motor vehicles or caused by the condition of City property. The maximum claim settlement established by state statute for such claims is $300 per person and $1,000 per occurrence. Various claims and legal actions involving the City are presently pending. Additionally, a number of legal suits against SLPD are presently pending for alleged wrongful personal injuries, civil rights violations and negligence in the line of duty. The City's policy is to record these claims in its general purpose financial statements when it is probable that a liability has been incurred and the amount can be reasonably estimated. In the opinion of the City Counselor, the ultimate outcome of these matters will not have a material effect on the general purpose financial statements of the City.

(Dollars in Thousands)

The estimated liability for payment of incurred (both reported and unreported) but unpaid claims and claim adjustment expenditures of $9,267 at June 30, 2000, relating to these matters is recorded in the self insurance internal service fund - PFPC for worker's compensation and general liability. The City obtains periodic funding valuations from a claims-servicing company managing the appropriate level of estimated claims liability. Enterprise funds reimburse PFPC on a cost-reimbursement basis. The City maintains surety bonds on various employees that handle cash. In addition, the City purchases commercial insurance for other risks, including property damage and liability coverage applicable to the Airport and Cervantes Convention Center. There were no significant changes in coverage for the year ended June 30, 2000, and for the years ended June 30, 2000, 1999, and 1998, settlements did not exceed coverage.

Changes in the self-insurance claims liability for the years ended June 30, 2000 and 1999 are as follows:

	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2000	$ 11,297	5,649	(7,679)	9,267
1999	9,778	9,228	(7,709)	11,297

22. GRANT LOAN PROGRAMS

Primary Government

The City's general and special revenue fund types include the activities of the CDA which, among other activities, makes loans to developers under the Housing Implementation Program. This program, which is administered for the City by certain financial institutions, provides funds to rehabilitate housing units for low and moderate income families. These loans typically are noninterest bearing, due in 25 years, and secured by a second deed of trust. CDA also made loans under the Urban Development Action Grant (UDAG) program to assist organizations with development projects within the City. These loans typically have a lower than market interest rate and payback periods ranging from 10 - 40 years after completion of the projects.

Any funds received from the repayments of these loans are to be spent by the City in accordance with Community Development Block Grant program regulations. Since repayment of the loans is dependent on the success of projects that involve considerable risk, collectibility is not assured and, accordingly, the City reflects these loans as an expenditure of the special revenue fund in the year the loans are made. Any loan repayments are reflected as intergovernmental revenue (or deferred revenue if monies have not been spent) in the year of receipt.

23. PENDING LITIGATION

Component Unit – SLDC

In the normal course of its operations, certain lawsuits and legal action are pending against SLDC. In the opinion of SLDC officials and legal counsel, these items are not expected to have a material effect, individually or in the aggregate, upon the financial position or the results of operations of SLDC.

In addition, certain properties held for development may be subject to future environmental remediation costs. In the opinion of SLDC officials, these costs would not have a material adverse effect upon the financial position or the results of operations of SLDC.

24. TAX AND REVENUE ANTICIPATION NOTES

During 2000, the City issued and redeemed $40,000 in Tax and Revenue Anticipation Notes (Notes). The Notes bore interest at the rate of 4.0% per year and matured June 30, 2000. Interest on the Notes of $1,600 was paid from the general fund.

25. COMPONENT UNIT – SLDC CONDUIT DEBT

SLDC facilitates the issuance of tax exempt bonds for various private enterprises and government agencies. The bonds are sold to various banks and the proceeds are used to purchase real estate or fund capital improvements for the respective organization. These organizations enter into lease payments to satisfy the debt service requirements. After SLDC assigns the leases to the trusts, the properties are no longer under their control and they have no liability for the bonds. Therefore transactions related to the leases and the bond liability are not presented in SLDC's financial statements.

26. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes

In July 2000, the City issued $42,000 in Tax and Revenue Anticipation Notes (2000 Notes) payable from the general fund. The 2000 Notes mature on June 28, 2001 and bear interest at the rate of 5.25% per year.

Joint Venture Cooperation Agreement

Subsequent to June 30, 2000, the City paid the outstanding balance relating to the joint venture cooperation agreement in the amount of $2,885.

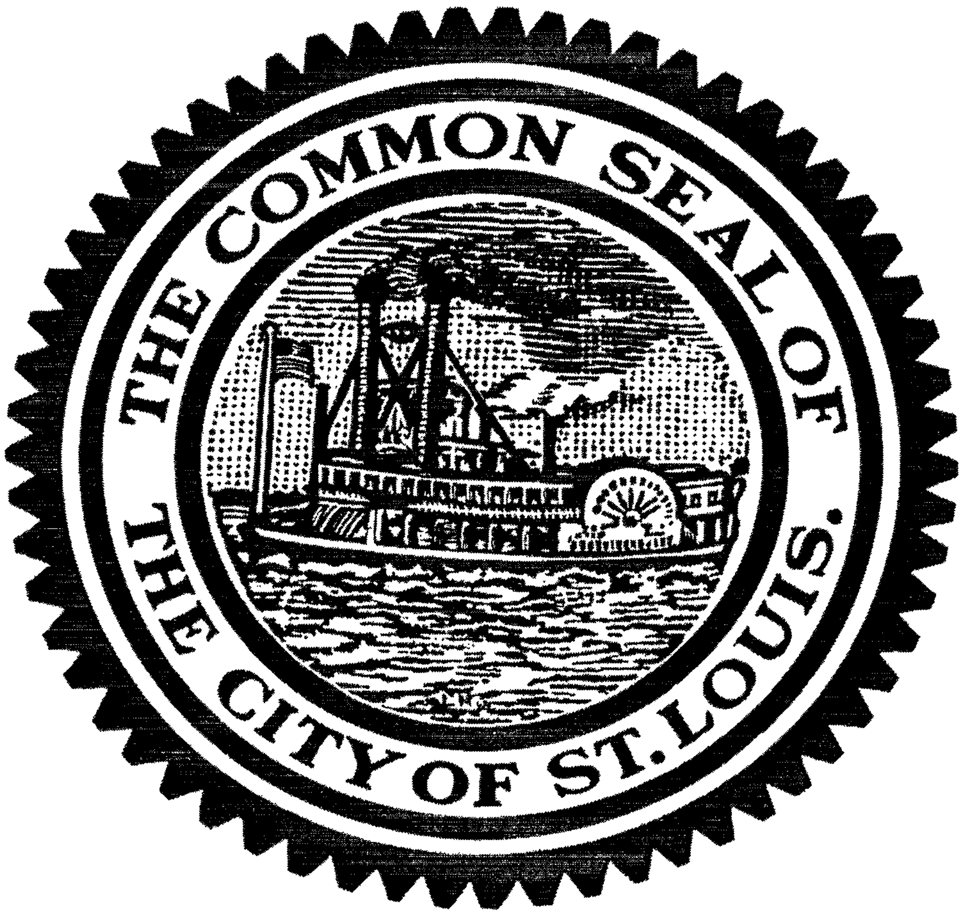
Component Unit – SLDC

In September 2000, SLDC offered all employees over the age of sixty an early retirement package. Six employees accepted the package, which offered severance pay as a percent of the current year's salary on a sliding scale based on years of service. The maximum received was 80% of the current year's salary. The total amount of severance for the six employees was $160.

Since 1998, SLDC has been involved in litigation relating to the Hall Street Landfill. On September 25, 2000, a judgment was handed down against SLDC in the amount of $1,900. The judgment was not final but will be final at the later of thirty days or a ruling of any post trial motions for a new trial or to amend or modify the judgment. No amount has been accrued in the accompanying general purpose financial statements due to SLDC's belief that state statute prohibits collection of the judgment and an appeal of the judgment on a number of grounds will be successful.

Enterprise Fund – Airport – Revenue Bonds

On July 15, 2000, the Airport issued $87,165 in Series 2000 Letter of Intent Double Barrel Revenue Bonds with an average interest rate of 6.07%. The Series 2000 bonds are limited obligations of the Airport, payable solely from moneys to be received from the FAA pursuant to the Letter of Intent Number ACE-98-01 dated November 10, 1998 and amended May 1, 2000; moneys on deposit in the Airport Development Fund; and certain other funds pledged under the bond indenture. None of the general Airport revenues or properties of the Airport have been pledged or mortgaged to secure payment of the Series 2000 bonds. The proceeds of the Series 2000 bonds, together with other available funds, will be applied to pay a portion of the cost of the acquisition of certain land located adjacent to the Airport and the construction of certain improvements thereon.


THE COMMON SEAL OF
THE CITY OF ST. LOUIS.

APPENDIX C

DEFINITIONS OF WORDS AND TERMS

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APPENDIX C

DEFINITIONS OF WORDS AND TERMS

"Additional Bonds" means any additional Bonds, including refunding bonds, issued by the Corporation pursuant to the Indenture.

"Additional Rentals" means the payments payable by the City pursuant to the Lease Agreement.

"Authorized Denominations" means Five Thousand Dollars ($5,000) or any integral multiple thereof.

"Base Lease" means the Base Lease between the City and the Corporation, dated as of August 1, 1996, as amended and supplemented by the First Supplemental Base Lease.

"Base Lease Rent" means the items referred to as such in the Base Lease.

"Base Lease Term" means the term of the Base Lease commencing as of the date of the delivery of the Base Lease and ending on the date specified in the Base Lease.

"Board of Aldermen" means the Board of Aldermen of the City.

"Bond", **"Bonds"** or **"Series of Bonds"** means any bond or bonds, including Additional Bonds, authenticated and delivered under and pursuant to the Indenture.

"Bond Counsel" means an attorney or firm of attorneys with nationally recognized standing in the field of municipal bond financing approved by the Corporation and the City.

"Bond Fund" means the Leasehold Revenue Improvement Bonds Bond Fund created in the Indenture.

"Bond Register" means the register and all accompanying records kept by the Bond Registrar evidencing the registration, transfer and exchange of Bonds.

"Bond Registrar" means the Trustee when acting in such capacity under the Indenture.

"Bondholder", **"Holder"** or **"Registered Owner"** means the registered owner of any Bond.

"Business Day" means any day except Saturday, Sunday, a legal holiday, or a day on which banking institutions located in the States of Missouri and New York are authorized by law to close.

"City" means the City of St. Louis, Missouri, a municipal corporation and political subdivision organized and existing under its Charter and the constitution and laws of the State of Missouri.

"City Justice Center" means the City Justice Center to be acquired, constructed, equipped and installed on Tract II of the Property in the City, and any Improvements thereto, acquired, constructed, equipped and installed as part of the Project as described in Schedule I to the Lease Agreement, the Property and any other personalty hereafter acquired by the Corporation and leased by the Corporation to the City pursuant to any Supplemental Lease Agreement with respect to the City Justice Center.

"**City Representative**" means the person or persons at the time designated to act on behalf of the City in matters not requiring legislative authorization relating to the Base Lease, the Lease Agreement and the Indenture as evidenced by a written certificate furnished to the Corporation and the Trustee containing the specimen signature of such person or persons and signed on behalf of the City by its Mayor and its Comptroller. For the purpose of investing the Bond proceeds the authorized City Representative shall be the Treasurer or his designee. Such certificate may designate an alternate or alternates each of whom shall be entitled to perform all duties of the City Representative.

"**Closing Date**" means the date of delivery of and payment for any Series of Bonds.

"**Code**" means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

"**Construction Costs**" means all reasonable and necessary expenses incidental to the acquisition (by lease or purchase, including condemnation) of real and personal property, construction, equipping and installing of furnishings and equipment for St. Louis Jail Facilities including the City Justice Center or any part thereof including without limitation architectural, engineering, legal, financial, administrative and accounting services relating thereto, the cost of all machinery, fixtures and equipment necessary or desirable in connection with the Project, costs as may be necessary or incidental to the Project and any and all other costs which in the opinion of Bond Counsel constitute construction expenditures within the meaning of Section 148(f)(4)(B)(i)(b) of the Code.

"**Corporation**" means the St. Louis Municipal Finance Corporation, a corporation organized under the Missouri Nonprofit Corporation Act, and its successors and assigns and any surviving, resulting or transferee corporation as provided in the Lease Agreement.

"**Corporation Representative**" means the person or persons at the time designated to act on behalf of the Corporation in matters relating to the Base Lease, the Lease Agreement and the Indenture as evidenced by a written certificate furnished to the City and the Trustee containing the specimen signature of such person or persons and signed on behalf of the Corporation by its President or any Vice President. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of the Corporation Representative.

"**Cost**" or "**Costs**" means all Construction Costs, and all reasonable and necessary expenses of or incidental to the Project directly or indirectly payable or reimbursable by the Corporation and costs reasonable and necessary and related to the authorization, sale and issuance of Bonds with respect to the Project, including but not limited to, legal, organizational, marketing or other special services; capitalized interest, financial or underwriting fees and expenses and any other fees and expenses incurred including the costs of Credit Enhancement, if any; filing and recording fees; initial fees and charges of the Trustee; expenses of feasibility studies; title insurance policies and all other reasonable, necessary and incidental expenses, provided, that, any legal fees of the Corporation with respect to the Bonds shall be as pre-approved by the Comptroller prior to issuance of any Series of Bonds.

"**Costs of Issuance Fund**" means the Leasehold Revenue Improvement Bonds Costs of Issuance Fund created by the Indenture.

"**Counsel**" means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include legal counsel for either the City or the Corporation.

"**Credit Enhancement**" means a letter of credit, surety bond or municipal bond new issue insurance policy or policies, if any, issued by the Credit Provider guaranteeing, providing for or insuring the payment when due of the principal of, and the interest on, one or more series of Bonds as provided therein.

"Credit Provider" means, with respect to the Series 2001A Bonds, AMBAC Assurance Corporation, or any successor thereto.

"Dated Date" means the dated date of any series of Bonds as set forth in any supplemental indenture related to such series of Bonds and with respect to the Series 2001A Bonds means September 1, 2001

"Debt Service Reserve Fund" means the Leasehold Revenue Improvement Bonds Debt Service Reserve Fund created in the Indenture.

"Debt Service Reserve Fund Deposits" means with respect to any Series of Bonds the deposits into the Debt Service Reserve Fund, if any, required by the Supplemental Indenture authorizing such Series of Bonds.

"Debt Service Reserve Fund Requirement" means the least of (i) the maximum annual debt service on the Bonds Outstanding, (ii) 10% of the original proceeds of each Series of Bonds or (iii) 125% of the average annual debt service requirements on the Bonds. The Debt Service Reserve Fund Requirement may be satisfied by Debt Service Reserve Fund Deposits in cash or in partial substitution or in lieu of cash by an insurance policy, letter of credit, line of credit or surety bond or similar liquidity or credit facility guaranteeing payments into the Debt Service Reserve Fund in the amount of the Debt Service Reserve Fund Requirement which facility shall be issued by an entity that is rated in one of the two highest rating categories by any rating agency which rates such facility.

"Defeasance Obligations" means direct obligations of, or obligations guaranteed by, the Department of the Treasury of the United States of America (including obligations issued or held in book-entry form) which are non-callable. The value of Defeasance Obligations shall be determined as provided in the definition of "Value" in the Indenture.

"Depository" or "DTC" means Depository Trust Company, New York, New York, a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, and its successors and assigns.

"Event of Default" means (i) with respect to the Lease Agreement any Event of Default as defined in the Lease Agreement, and (ii) with respect to the Indenture any Event of Default as defined in the Indenture.

"Event of Non-Appropriation" means the failure of the City to appropriate sufficient funds for the payment of Rentals and Additional Rentals for the succeeding Fiscal Year.

"First Supplemental Base Lease" means the First Supplemental Base Lease, dated as of February 1, 2000, between the City and the Corporation.

"First Supplemental Lease Agreement" means the First Supplemental Lease Purchase Agreement, dated as of February 1, 2000, between the Corporation and the City.

"First Supplemental Indenture" means the First Supplemental Indenture of Trust dated as of August 1, 1996, between the Corporation and the Trustee authorizing the issuance of Series 1996 Bonds.

"Fiscal Year" means the fiscal year now or hereafter adopted by the Corporation and, with respect to the City, its fiscal year currently beginning on July 1 of each calendar year.

"Fitch" shall mean Fitch, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Fitch shall mean any other nationally recognized securities rating agency designated by the Corporation, with the approval of the City, by notice to the Trustee and the City.

"Full Replacement Value" means the actual replacement cost of any component of the St. Louis Jail Facilities, exclusive of land, excavations, footings, foundations and parking lots, but in no event shall such value be less than the principal amount of the Bonds at the time Outstanding.

"Global Bond Certificates" means one or more bond certificates of the Corporation, each certificate representing the entire principal amount of the Bonds due on a particular Stated Maturity, immobilized from general circulation in the Depository.

"Impositions" means those taxes, assessments and other impositions defined in the Lease Agreement.

"Improvements" means the improvements, fixtures and equipment constituting a part of the St. Louis Jail Facilities now or hereafter attached and all replacements thereto.

"Indenture" means the Indenture of Trust dated as of August 1, 1996, between the Corporation and the Trustee authorized by the Resolution, as from time to time amended and supplemented in accordance with the provisions of the Indenture.

"Insurance Trustee" means United States Trust Company of New York or any successor duly appointed by the Credit Provider.

"Interest Payment Date" shall mean February 15 and August 15 of each year, beginning February 15, 2002, as long as the Bonds remain Outstanding.

"Lease Agreement" means the Lease Purchase Agreement dated as of August 1, 1996, between the Corporation and the City, dated as of August 1, 1996 as amended and supplemented in accordance with the First Supplemental Lease Agreement and the Indenture.

"Master Indenture" means the Indenture of Trust, dated as of August 1, 1996, by and between the Corporation and the Trustee.

"Maturity" means, with respect to any Bond, the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration or acceleration or call for redemption or otherwise.

"Medium Security Correctional Facility" means the existing medium security correctional facility, together with all improvements thereto and equipment thereon located on the property described in Tract I on Schedule I to the Lease Agreement.

"Moody's" shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Moody's shall mean any other nationally recognized securities rating agency designated by the Corporation, with the approval of the City, by notice to the Trustee and the City.

"Municipal Bond Insurance Policy" shall mean the municipal bond insurance policy issued by the Credit Provider insuring the payment when due of the principal of and interest on the Bonds as provided therein.

"**Non-Arbitrage Certificate**" means the non-arbitrage certificate and any exhibit attached thereto relating to certain tax matters relating to a Series of Bonds executed by the Corporation on the date of closing of such Series of Bonds.

"**Ordinance**" means Ordinance No. 64652 of the City enacted on June 4, 1999, as amended and restated by Ordinance No. 64811 approved on December 21, 1999, which authorized, among other things, the issuance, sale and delivery of the City Justice Center Leasehold Revenue Refunding Bonds, Series 2001A, in accordance with the Indenture and the Third Supplemental Indenture, and any amendments or supplements thereto.

"**Outstanding**" means, when used with reference to Bonds, as of a particular date, all Bonds theretofore authenticated and delivered, except:

(a) Bonds theretofore canceled by the Trustee or delivered to the Trustee for canceling;

(b) Bonds which are deemed paid under the Indenture;

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Indenture; and

(d) Bonds held by or for the account of the Corporation, the City or any person controlling, controlled by or under common control with either of them for purposes of any consent or other action to be taken by the holders of a specified percentage of Bonds outstanding under the Indenture, the Base Lease or the Lease Agreement.

"**Participants**" means those financial institutions for whom the Depository effects book-entry transfers and pledges of securities deposited with the Depository.

"**Paying Agent**" means the Trustee and any other bank or trust institution organized under the laws of any state of the United States or any national banking association designated by the Indenture or any Supplemental Indenture as paying agent for any series of Bonds at which the principal or, redemption premium, if any, and interest on such Bonds shall be payable.

"**Permitted Encumbrances**" means:

(a) with regard to the City Justice Center, such easements, encumbrances and restrictions as are identified in Schedule B of the title company's commitment for title insurance effective on the date on which the City acquires title to the Property through condemnation or purchase;

(b) any financing statements relating to the Indenture, the Base Lease or the Lease Agreement;

(c) Impositions which are not then delinquent, or if then delinquent, are being contested in accordance with the Lease Agreement;

(d) utility, access and other easements and rights-of-way, restrictions and exceptions, including operating agreements or leases, which will not interfere with or impair any of which may be necessary to the operation of the St. Louis Jail Facilities (or, if it is not being operated, the operation for which it was designed or last modified);

(e) any mechanic's, laborer's, materialman's, supplier's or vendor's lien or rights in respect thereof if payment is not yet due under the contract in question or if such lien is being contested in accordance with the Lease

Agreement;

(f) such minor defects and irregularities of title as normally exist with respect to properties similar in character to the Property and which the Corporation certifies do not materially adversely affect the value of the St. Louis Jail Facilities or impair the Property affected thereby for the purpose for which it was acquired or is held by the Corporation;

(g) zoning laws and similar restrictions which are not violated by the St. Louis Jail Facilities;

(h) the Base Lease; and

(i) the Lease Agreement.

"Permitted Investments" means Defeasance Obligations for all purposes other than (i) investments in escrow accounts and (ii) investing and receiving credit for accrued and capitalized interest:

(1) obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

-- Export-Import Bank
-- Farm Credit System Financial Assistance Corporation
-- Farmers Home Administration
-- General Services Administration
-- U.S. Maritime Administration
-- Small Business Administration
-- Government National Mortgage Association (GNMA)
-- U.S. Department of Housing & Urban Development (PHA's)
-- Federal Housing Administration

(2) senior debt obligations rated "AAA" by S&P and "Aaa" by Moody's issued by the Federal National Mortgage Association of the Federal Home Loan Mortgage Corporation. Senior debt obligations of other Government-sponsored Agencies approved by AMBAC Indemnity;

(3) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(4) commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase;

(5) investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(6) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable to the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or Defeasance Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instruction, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of an interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate; Pre-refunded Municipal Obligations meeting the requirements of subsection (B) hereof may not be used as Permitted Investments for annual appropriation lease transactions without the prior written approval of S&P.

(7) investment agreements approved in writing by AMBAC Assurance Corporation, supported by appropriate opinions of counsel, with notice to S&P; and

(8) other forms of investments (including repurchase agreements) approved in writing by AMBAC Assurance Corporation with notice to S&P.

The value of Permitted Investments shall be determined as provided in the definition of "Value" herein.

"Pledge Agreement" means the Pledge Agreement dated as of August 1, 1996, between the City and the Trustee.

"Pledged Revenues" means the amount to be received by the Trustee on behalf of the City pursuant to Section 221.105 of the Missouri Revised Statutes, as amended, and as further described under the Pledge Agreement.

"Pledged Revenues Account" means the account by that name created pursuant to the First Supplemental Indenture.

"Principal Payment Date" means February 15 of each year, beginning with respect to the Series 2001A Bonds on February 15, 2002, as long as the Series 2001A Bonds remain Outstanding.

"Project" means such project as may be authorized by the Corporation and financed with the issuance of Bonds pursuant to the Indenture and the Supplemental Indenture applicable thereto.

"Property" means the real property described in Revised Schedule I to the Lease Agreement and situated in the City including all streets and roads adjoining thereto and all easements and rights of way now or hereafter used in connection therewith together with all land lying in the bed of any street or road, open or proposed, in front of or adjoining such site to the center line thereof now or hereafter used in connection with such site.

"Rebate Fund" means the Leasehold Revenue Improvement Bonds Rebate Fund established in the Indenture.

"Record Date" means, with respect to any Interest Payment Date, the first day (whether or not a business day) of the calendar month in which such Interest Payment Date occurs.

"Redemption Date", when used with respect to any Bond to be redeemed, means the date fixed for redemption pursuant to the Indenture and the Supplemental Indenture applicable thereto.

"Redemption Notice Information" means information in a written and dated notice from the Trustee which (i) identifies the Bonds to be redeemed by the name of the issue (including the name of the issuer and any series designation), CUSIP number, if any, Dated Date, interest rate, Stated Maturities and any other descriptive information the Trustee deems desirable to accurately identify the Bonds to be redeemed and, if only a portion of the Bonds will be redeemed, the certificate numbers and the principal amount of the Bonds to be redeemed, (ii) identifies the date on which the notice is published and the Redemption Date, (iii) states the price at which the Bonds will be redeemed, (iv) states that interest on the Bonds or the portions of Bonds called for redemption will stop accruing from the Redemption Date if funds sufficient for their redemption and available for that purpose are on deposit with the Trustee on the Redemption Date, (v) states that payment for the Bonds will be made on the Redemption Date at the principal corporate trust office of the Trustee during normal business hours upon the surrender of the Bonds to be redeemed in whole or in part and (vi) identifies by name and telephone number a representative of the Trustee who may be contacted for additional information.

"**Rentals**" or "**Rent**" means those payments required to be made by the City pursuant to the Lease Agreement.

"**Replacement Bonds**" means the Bonds authenticated and delivered by the Bond Registrar pursuant to the First Supplemental Indenture and the Indenture.

"**Resolution**" means the Resolution adopted by the Board of Directors of the Corporation authorizing, among other things, the issuance, sale and delivery of City Justice Center Leasehold Revenue Bonds Series 2001A, and the execution of certain documents related thereto in accordance with the Indenture and the Second Supplemental Indenture and any amendments or supplements thereto and any other resolution providing for the issuance of a Series of Bonds hereunder.

"**S&P**" means Standard & Poor's, a division of McGraw-Hill, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall mean any other nationally recognized securities rating agency designated by the Corporation, with the approval of the City, by notice to the Trustee and the City.

"**Second Supplemental Indenture**" means the Second Supplemental Indenture of Trust between the Corporation and the Trustee authorizing the issuance of Series 2000A Bonds.

"**Series**" means all of the Bonds delivered on original issuances in a simultaneous transaction and identified pursuant to the Indenture or pursuant to a Supplemental Indenture authorizing the issuance of such Bonds as a separate Series, and any Bonds thereafter delivered in lieu of or in substitution for such Bonds pursuant to the Indenture, regardless of variations in maturity, interest rate, or other provisions. If a Series of Bonds is sold in installments, Series shall mean all of the Bonds of such installment.

"**Series 1996 Bonds**" means the Series 1996A Bonds and the Series 1996B Bonds.

"**Series 1996A Bonds**" means the City Justice Center Leasehold Revenue Improvement Bonds, Series 1996A, authorized by the First Supplemental Indenture.

"**Series 1996B Bonds**" means the City Justice Center Leasehold Revenue Improvement and Refunding Bonds, Series 1996B, authorized by the First Supplemental Indenture

"**Series 2000A Bonds**" means the City Justice Center Leasehold Revenue Bonds, Series 2000A, authorized by the Second Supplemental Indenture.

"**Series 2001A Bonds**" means the City Justice Center Leasehold Revenue Refunding Bonds, Series 2001A, authorized by the Third Supplemental Indenture.

"**State**" means the State of Missouri.

"**Stated Maturity**" means, when used with respect to any Bond, the date specified in the Indenture or in any Supplemental Indenture authorizing Additional Bonds as the fixed date on which the principal of such Bond is due and payable.

"**St. Louis Jail Facilities**" means the existing Medium Security Correctional Facility, improvements to be acquired, constructed, installed and equipped, if any, situated on the Property described on Schedule I to the Lease Agreement, together with all improvements and equipment thereon, the City Justice Center to be constructed with proceeds of the Series 1996 Bonds and any additional jail facilities constructed with the proceeds of Additional Bonds, provided, however, that upon the date on which the payment of all principal and interest on the Series 1996B Bonds has been fully made or provided for pursuant to Section 1301 of the Indenture, the term "St. Louis Jail Facilities" shall no longer include the Medium Security Correctional Facility.

"**Supplemental Base Lease**" means any lease supplemental or amendatory to the Base Lease entered into by the City and the Corporation pursuant to the Base Lease.

"**Supplemental Indenture**" means any indenture supplemental or amendatory to the Indenture entered into by the Corporation and the Trustee pursuant to the Indenture.

"**Supplemental Lease Agreement**" means any lease purchase agreement supplemental or amendatory to the Lease Agreement entered into by the Corporation and the City pursuant to the Lease Agreement and the Indenture.

"**Term**" or "**Lease Term**" means the term of the Lease Agreement beginning as of August 1, 1996, and ending (i) the last day of the then current Fiscal Year of the City during which there occurs an Event of Non-Appropriation with respect to the City; (ii) the date on which there occurs an Event of Default with respect to the City under the Lease Agreement if the Corporation or the Trustee elects such remedy pursuant to the Lease Agreement (iii) the date upon which all Rentals and Additional Rentals, as the case may be, required under the Lease Agreement shall be paid by the City or (iv) upon the discharge of the Indenture as provided in the Indenture. The term of the Lease Purchase Agreement shall terminate with respect to Tract I of the Property described in Schedule I to the Lease Purchase Agreement, but only as to such Tract I property and all improvements and equipment located thereon, on the date on which payment of principal and interest on all the Series 1996B Bonds have been made or provided for on the Indenture.

"**Third Supplemental Indenture**" means the Third Supplemental Indenture of Trust dated as of September 1, 2001 between the Corporation and the Trustee authorizing the issuance of Series 2001A Bonds.

"**Tract I**" means the Property described as Tract I on Revised Schedule I of the Lease Agreement upon which the medium security prison is currently situated.

"**Tract II**" means the Property described as Tract II on Revised Schedule I of the Lease Agreement which the City intends to acquire.

"**Treasurer**" means the Treasurer of the City.

"**Trust Estate**" means the Trust Estate described in the Granting Clauses of the Indenture.

"**Trustee**" means UMB Bank, N.A., St. Louis, Missouri, as trustee under the Indenture and any successors or assigns.

"United States Government Obligations" means bonds, notes, certificates of indebtedness, treasury bills, or other securities constituting direct obligations of the United States of America or obligations the payment of the principal of and interest of which are fully and unconditionally guaranteed by the United States of America.

"Value" means the value, determined as of the end of each month, of Permitted Investments and/or Defeasance Obligations (together, "investments") which shall be calculated as follows:

(a) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times or other national publication acceptable to the Trustee): the average of the bid and asked prices for such investments so published at or most recently prior to such time of determination;

(b) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal (if not there, then in the alternative, The New York Times or other national publication acceptable to the Trustee): the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

(c) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and

(d) as to any investment not specified above: the value thereof established by prior agreement between the Corporation, the Trustee and the Credit Provider.

"Written Request" with reference to the Corporation means a request in writing signed by the Corporation Representative and with reference to the City means a request in writing signed by the City Representative, or any other officers designated by the Corporation or the City, as the case may be, to sign such Written Request.

APPENDIX D

SUMMARY OF LEGAL DOCUMENTS

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SUMMARY OF LEASE AGREEMENT

The following is a summary of certain provisions of the Lease Agreement, dated as of August 1, 1996, by and between the Corporation and the City, as amended by the First Supplemental Lease Agreement, dated as of February 1, 2000 (collectively the "Lease Agreement"). Pursuant to the terms of the Base Lease, dated as of August 1, 1996, by and between the City and the Corporation, as amended and supplemented by the First Supplemental Base Lease, dated as of February 1, 2000, the City leased to the Corporation certain real estate located in the City, including the buildings, structures and improvements thereon (the "St. Louis Jail Facilities"). Pursuant to the Lease Agreement, the Corporation leased to the City the St. Louis Jail Facilities, including the City Justice Center, with the proceeds of the Bonds, and upon its acquisition, the City will pay, subject to annual appropriations, Rentals at such times and in such amounts as to assure that no default in the payment of the principal of, premium, if any, and interest on the Bonds will occur at any time. This summary does not purport to be complete or comprehensive, and this summary is qualified in its entirety by reference to the Lease Agreement, a copy of which is available from the Corporation.

Provisions For Payment

Rentals. The City, subject to annual appropriation, will pay or cause to be paid (the latter with respect to amounts to be paid to the Trustee pursuant to the Pledge Agreement) the amounts required by the Lease Agreement. The Rentals made by the City under the Lease Agreement will be sufficient to pay the principal of, premium, if any, and interest on the Bonds until the principal of, premium, if any, and interest on the Bonds will have been fully paid. The City will pay to the Trustee, in funds which will be immediately available not less than five (5) Business Days before the date any payment is due, as Rentals in respect of the Project, amounts which correspond to the payments in respect of the principal of, premium, if any, and interest on the Bonds whenever and in whatever manner the same become due, whether at Stated Maturity, upon redemption or acceleration or otherwise.

In the Lease Agreement, the City covenants that it will pay Rentals at such times and in such amounts as to assure that no default in the payment of principal of, premium, if any, or interest on the Bonds will at any time occur. If the balance in the Bond Fund (not subject to the lien of the Trustee for fees and expenses) is less than the sum then required to be on deposit therein in order to pay the principal of, premium, if any, and interest then payable on the Bonds in accordance with the provisions of the Lease Agreement, the City will pay as Rentals any such deficiency to the Trustee for deposit in the Bond Fund in immediately available funds. Any amount at any time held by the Trustee in the Bond Fund (not subject to the lien of the Trustee under the Indenture) for the payment of the principal of, premium, if any, and interest on the Bonds will, at the election of the City, be credited against the Rentals next required to be paid by the City, to the extent such an amount is in excess of the amount required for payment of (i) any Bonds theretofore matured or called for redemption plus (ii) past due interest, in all cases where such Bonds or interest checks have not been presented for payment; and provided, further, that if the amount held by the Trustee in the Bond Fund (not subject to the lien of the Trustee under the Indenture) is sufficient to pay at the times required by the principal of, premium, if any, and interest on all of the Bonds then remaining unpaid, the City will not be obligated to pay Rentals.

The City covenants and agrees to make the Rentals to the Trustee at its principal corporate trust office for the account of the Corporation during the Lease Term on or before 11:00 a.m., Trustee's local time, in the appropriate amount, and on the Rental payment dates. All Rentals shall be deposited by the Trustee in accordance with the provisions of the Indenture, and shall be used and applied by the Trustee in the manner and for the purpose set forth in the Indenture.

Additional Rentals. The City shall pay or cause to be paid, subject to the annual appropriation, the following as Additional Rentals:

(a) Fees, charges and expenses of the Trustee under the Indenture;

(b) Impositions;

(c) Such further sums of money, in cash, as may be required from time to time to the extent that adequate funds are not available to pay all principal of and all interest, and any redemption premium accruing on the Bonds, as the same become due and payable;

(d) All costs incident to the payment of principal of and interest on the Bonds, as the same shall become due and payable, including all costs, premiums and expenses in connection with the call, redemption and payment of all Outstanding Bonds which amounts shall be deposited in the Bond Fund;

(e) The payments, if any, which the City is required to deposit into the Debt Service Reserve Fund in accordance with the procedure set forth in the Indenture;

(f) All reasonable expenses and advances incurred or made in connection with the enforcement of any rights under the Lease Agreement or the Indenture by the Corporation or the Trustee and any reasonable expenses incurred by the Corporation to enable it to comply with the provisions of the Base Lease, the Lease Agreement or the Indenture;

(g) All reasonable fees and expenses of a Credit Provider, if any, for the provision of any Credit Enhancement, including any reimbursements and any amounts owing under any Credit Agreement;

(h) All reasonable and necessary fees and expenses the Corporation incurred in connection with the Bonds or the establishment and maintenance of the Corporation's status as a Missouri non-profit corporation or a qualified 501(c)(3) corporation; and

(i) All amounts required to be rebated to the United States as provided in the Indenture.

Term of Lease Agreement

The term of the Lease Agreement commenced as of August 1, 1996, and shall terminate on the earliest of the occurrence of any of the following events: (i) the last day of the then current Fiscal Year of the City during which there occurs an Event of Non-Appropriation with respect to the City; (ii) the date on which there occurs an Event of Default by the City under the Lease Agreement if the Corporation or the Trustee elects such remedy pursuant to the Lease Agreement; (iii) the date on which all Rentals and Additional Rentals, as the case may be, required to be paid under the Lease Agreement shall be paid by the City; or (iv) the date of discharge of the Indenture as provided in Article XIII of the Indenture. The term of the Lease Agreement shall terminate with respect to Tract I of the Property described in Schedule I to the Lease Agreement, but only as to such Tract I and all improvements and equipment located thereon, on the date on which payment of principal of and interest on all the Series 1996B Bonds has been made or provided for pursuant to the Indenture. The Lease Agreement provides that the City will give notice to the Corporation with a copy to the Trustee as early as practicable in each Fiscal Year and in any case no later than three (3) Business Days following the date on which the budget of the next succeeding Fiscal Year is finally approved by the Board of Aldermen of the City of either (i) the termination of the Lease Agreement or (ii) that sufficient funds have been budgeted and appropriated to make all payments of Rentals and Additional Rentals due under the Lease Agreement during the next succeeding Fiscal Year. Notice that sufficient funds have been appropriated for the next succeeding Fiscal Year shall be accompanied by evidence satisfactory to the Corporation that sufficient funds have been budgeted and appropriated to make all Rentals for the Fiscal Year to which such notice pertains and to make such payments of Additional Rentals as shall be required during such Fiscal Year by the terms of the Lease Agreement.

SHOULD THE CITY GIVE A NOTICE OF TERMINATION, THE CITY'S RIGHT TO USE THE ST. LOUIS JAIL FACILITIES UNDER THE LEASE AGREEMENT SHALL TERMINATE WITHOUT PENALTY ON THE LAST DAY OF THE THEN CURRENT FISCAL YEAR. ALL OTHER TERMS OF THE LEASE AGREEMENT AND THE INDENTURE, HOWEVER, INCLUDING THE CITY'S RIGHT TO PURCHASE THE ST. LOUIS JAIL FACILITIES AND THE TRUSTEE'S OBLIGATIONS TO THE BONDHOLDERS AND RIGHT TO RECEIVE AND DISBURSE FUNDS SHALL CONTINUE UNTIL THE LIEN OF THE INDENTURE IS DISCHARGED. ALL OBLIGATIONS OF THE CITY TO PAY ANY AMOUNTS TO THE HOLDERS AND TO THE TRUSTEE HEREUNDER SHALL THEREAFTER BE SATISFIED ONLY AS PROVIDED IN THE INDENTURE AND, WITH

RESPECT TO AN EVENT OF NON-APPROPRIATION PRIOR TO SUCH EXPIRATION OR TERMINATION AS PROVIDED IN THE LEASE AGREEMENT, ARE PAYABLE PRIOR TO THE TERMINATION OF THE LEASE AGREEMENT. THE TERMINATION OR EXPIRATION OF THE TERM OF THE LEASE AGREEMENT, OF ITSELF, SHALL NOT DISCHARGE THE LIEN OF THE INDENTURE.

Subject to the following two paragraphs, the payment obligations of the City under the Lease Agreement are absolute and unconditional, free of deductions and without abatement, offset, recoupment, diminution or setoff whatsoever, and shall be sufficient to provide all funds required for debt service on the Bonds, funding of the Debt Service Reserve Fund, and all other amounts required under the Indenture.

Nothing in the Lease Agreement shall be construed as requiring the Board of Aldermen to appropriate any money to pay any Rentals or Additional Rentals. If the City fails to pay any Rentals or Additional Rentals which are due, the City is required upon the request of the Trustee or the Corporation to immediately quit and vacate the St. Louis Jail Facilities, and the Rentals and Additional Rentals (except for payments which have been theretofore appropriated and then available for such purpose) will thereupon cease, and the City will not be obligated to pay any Rentals or Additional Rentals to the Corporation under the Lease Agreement. If the City fails to pay any required Rentals or Additional Rentals, the Trustee may bring legal action to evict the City from the St. Louis Jail Facilities.

The Rentals and Additional Rentals constitute current expenses of the City and the City's obligations under the Lease Agreement are from year to year, and do not constitute a mandatory payment obligation of the City in any ensuing Fiscal Year beyond the current Fiscal Year. No provision of the Lease Agreement is to be construed or interpreted as creating a general obligation or other indebtedness of the City or any agency or instrumentality of the City within the meaning of any constitutional or statutory debt limitation.

The City covenants and agrees in the Lease Agreement that the City's Budget Director, or any other officer at any time charged with responsibility of formulating budget proposals, is directed to include in the budget proposals submitted to the Board of Estimate and Apportionment, and to the extent permitted by law, to the Board of Aldermen of the City, in any year during the Lease Agreement term, a request or requests for the Rentals and a reasonable estimate of Additional Rentals. Requests for appropriations will be made in each Fiscal Year so that the City's Rentals and a reasonable estimate of Additional Rentals to be paid during the succeeding Fiscal Year will be available for such purposes. It is the intention of the City that the decision to appropriate the City's Rentals and Additional Rentals to provide financing for the Project pursuant to the Lease Agreement will be made solely by the Board of Aldermen and not by any other official of the City except subject to the power of the Mayor of the City to approve or disapprove ordinances. The City presently expects, in each Fiscal Year of the City during the Lease Agreement term, to appropriate funds for the City to provide financing for the Project in an amount sufficient to pay principal of, interest on and redemption premium, if any, on the Bonds. Upon such appropriation, the Rentals and reasonably estimated Additional Rentals will be available for such Fiscal Year to be drawn upon to make payments pursuant to the terms of the Lease Agreement after the budget is adopted and in no event later than July 1st of each year.

The City intends, subject to the provisions described above with respect to the failure of the City to budget or appropriate funds to pay the Rentals and a reasonable estimate of Additional Rentals, to continue the Lease Agreement term, and to pay the Rentals and Additional Rentals under the Lease Agreement. The City states in the Lease Agreement that it reasonably believes legally available funds in an amount sufficient to pay all Rentals and Additional Rentals during the Lease Agreement term can be obtained.

City's Option To Purchase Corporation's Interest

The City has the option to purchase the Corporation's leasehold interest in the St. Louis Jail Facilities and to terminate the Base Lease and the Lease Agreement at any time during the Base Lease Term (subject to the requirements of the provisions of the Lease Agreement) upon payment of the principal, interest and redemption premium, if any, on the Bonds or providing funds for the Corporation to make provision for their payment pursuant to the Indenture and the payment of all Additional Rentals. Except as otherwise provided in the Lease Agreement, the City will give at least sixty (60) days written notice to the Corporation and to the Trustee of its intent to exercise the option and so terminate the Lease Agreement. Payment of the Rentals and Additional Rentals constitutes exercise of the option granted in the Lease Agreement without further action by the City. The City also has the option to purchase the Corporation's leasehold interest in the St. Louis Jail Facilities under the Base Lease and to terminate the Lease Agreement if it receives notice of an Event of Default pursuant to the Indenture and upon payment of the Bonds or providing funds for the Corporation to make provision for their payment pursuant to the Indenture and the payment of all Additional Rentals. The City must give notice of its intent to exercise this option to the Corporation and the Trustee not later than ninety (90) days after receipt of notice of any such Event of Default.

Property Insurance

The City, under its customary insurance practices (which may include self-insurance subject to availability of appropriation therefor) or otherwise, must take such measures as may be necessary or appropriate in accordance with sound business practices to insure the St. Louis Jail Facilities to the extent insurable against loss included in all risk insurance policies then in use in the State. Any such insurance may be subject to reasonable deductibles and shall name the Trustee as an additional insured. Any self-insurance program and the principal amount of Outstanding Bonds shall be established and maintained in accordance with the City's customary insurance practices.

Liability Insurance

The Lease Agreement provides that the City under its customary insurance practice (which may include self-insurance subject to availability of appropriation therefor) or otherwise, must take such measures as may be necessary to insure against liability for injuries to or disability or death of any person or damage to or loss of property arising out of or in any way relating to the condition or the operation of the St. Louis Jail Facilities or any part thereof during the term of the Lease Agreement. Such policy or policies are required to name the Trustee as an additional insured. The net proceeds of all such self-insurance or other insurance is be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds may be paid. The City will indemnify the Corporation and the Trustee for any loss, damage or expense incurred, paid or suffered by them as a result of any suit or claim of a nature covered by such insurance, to the full extent permitted by State law.

Damage, Destruction and Condemnation; Use of Net Proceeds

Unless the City has exercised its option to purchase the Corporation's interest under the Base Lease and terminate the Lease Agreement, if the St. Louis Jail Facilities are destroyed or damaged by fire or other casualty or title to or the temporary use of the St. Louis Jail Facilities or the interest of the City or the Corporation in the St. Louis Jail Facilities is taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the City is required to cause the net proceeds of any insurance or condemnation award to be applied to the prompt repair, restoration, modification or improvement of the St. Louis Jail Facilities by the City, free of liens other than Permitted Encumbrances. Any balance of the net proceeds remaining after such work has been completed for the St. Louis Jail Facilities, unless all of the Project has been completed, is to be transferred to the Project Fund and at the completion of the St. Louis Jail Facilities, such funds are be applied as provided in the Indenture.

If the City determines that repair, restoration, modification or improvement of the St. Louis Jail Facilities is not economically feasible or in the best interest of the City, then, in lieu of making such repair, restoration, modification or improvement, the City is required to make provision for the redemption of Outstanding Bonds in an amount equal to the net proceeds of any such insurance or condemnation award rounded to the nearest Authorized Denomination, any such net proceeds shall be applied by the City to the payment of the Outstanding Bonds called for redemption, and shall pay the fees and expenses of the Corporation and the Trustee, together with all amounts due under the Indenture and under the Lease Agreement, and all amounts required to be rebated to the federal government pursuant to the Indenture or the Non-Arbitrage Certificate.

Insufficiency of Net Proceeds

If the net proceeds are insufficient to pay in full the cost of any repair, restoration, modification or improvement of the St. Louis Jail Facilities, subject to the appropriation of sufficient funds, the City is required to complete the work and pay any costs in excess of the amount of the net proceeds. The City agrees that if it makes any payments pursuant to this provision, it will not be entitled to any reimbursement therefor from the Corporation or any diminution of any amount payable under the Lease Agreement.

Assignment, Subleasing and Licensing by the City

The Lease Agreement may not be assigned by the City without the written consent of the Corporation. However, the St. Louis Jail Facilities or any part thereof, may be subleased by the City, in whole or in part, without the consent of the Corporation, subject, however, to each of the following conditions:

(a) The Lease Agreement and the obligation of the City to pay Rentals and Additional Rentals thereunder and to perform all of the terms, covenants and conditions of the Lease Agreement and of any other security document to which it shall be a party remain obligations of the City and any assignee or transferee or sublessee of the City shall have assumed in writing and have agreed to keep and perform all of the terms of the Lease Agreement on the part of the City to be kept and performed and shall be jointly and severally liable with the City for the performance thereof, and shall be subject to service of process in the State, and in the opinion of Counsel, such assignment or transfer or sublease does not legally impair in any respect the obligations of the City for the payment of all Rentals nor for the full performance of all of the terms, covenants and conditions of the Lease Agreement or of any other security documents to which the City is a party, nor impair or limit in any respect the obligations of any obligor under any other security documents.

(b) The City is required within ten (10) days after the delivery of a sublease, to furnish or cause to be furnished to the Corporation, the Credit Provider and the Trustee a true and complete copy of such sublease.

(c) No sublease by the City shall cause the St. Louis Jail Facilities or any portion thereof being subleased to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the constitution and laws of the State of Missouri and the Charter of the City.

(d) Before entering into any sublease, the City shall obtain and file with the Trustee and the Corporation an opinion from Bond Counsel to the effect that the sublease will not cause the interest on the Bonds to become subject to federal or Missouri income taxes.

The City may grant licenses to use all or any portion of the St. Louis Jail Facilities in the normal course of business without the consent of the Corporation.

Event of Non-Appropriation

If an event of Non-Appropriation shall occur and be continuing, upon receipt of a certificate from a City Representative which states that the City has not appropriated the funds required to be appropriated by the City, or upon receipt of other notice of the occurrence of any Event of Non-Appropriation with respect to the City, the Trustee shall immediately notify the Corporation of such occurrence.

Non-Substitution Covenant

The City covenants and agrees in the Lease Agreement that, to the extent permitted by law, if an Event of Default described in the Lease Agreement occurs with respect to the City, the City will not construct, own or operate any jail facility not in existence at the time such Event of Default occurs during the sixty (60) day period subsequent to such Event of Default. Notwithstanding any provision in the Lease Agreement to the contrary, this provision survives the termination of the Lease Agreement and remains in effect and will be binding upon the City.

Termination of Lease Agreement Term

The Lease Agreement term shall terminate as to the City upon the earliest of the occurrence of any of the following events with respect to the City: (i) the last day of the then current Fiscal Year of the City during which there occurs an Event of Non-Appropriation with respect to the City; (ii) there occurs an Event of Default by the City under the Lease Agreement if the Corporation or the Trustee elects such remedy pursuant to the Lease Agreement; (iii) the date upon which all Rentals and Additional Rentals, as the case may be, required under the Lease Agreement shall be paid by the City; or (iv) the Indenture has been discharged in accordance with its terms. The term of the Lease Agreement shall terminate with respect to Tract I of the Property described in Schedule I to the Lease Agreement, but only as to such Tract I property and all improvements and equipment located thereon, on the date on which payment of principal of and interest on all Series 1996B Bonds has been made or provided for pursuant to the Indenture.

If an Event of Non-Appropriation occurs, the City shall not be obliged to make payments of the Rentals or Additional Rentals beyond the last day of the Fiscal Year in which the Event of Non-Appropriation occurs, except for obligations which are payable prior to termination of the Lease Agreement. The City is liable for amounts payable during such time as the City continues to occupy the St. Louis Jail Facilities. Upon the occurrence of an Event of Non-Appropriation, the Trustee shall have all rights and remedies granted under the Indenture as a secured creditor under Missouri law and shall be entitled to all monies in all funds and accounts under the Indenture for the benefit of the Bondholders.

The Lease Agreement term shall terminate as to the Corporation on the date on which all Bonds are paid or deemed to be paid as provided in the Indenture.

Events of Default

The following shall be "Events of Default" under the Lease Agreement:

(a) Failure by the City to pay any Rentals or Additional Rentals in the amounts and at the times specified in the Lease Agreement.

(b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (a) above, for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied has been given to the City by the Corporation or the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Trustee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected.

(c) The filing by the City of a voluntary petition in bankruptcy, or failure by the City to promptly lift any execution, garnishment or attachment of such consequence as would impair the ability of the City to carry on its operation, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings whether voluntary or involuntary instituted under the provisions of the Federal bankruptcy laws, as amended, or under any similar acts which may hereafter be enacted.

(d) Failure by the City to vacate the St. Louis Jail Facilities by the expiration of the current Fiscal Year during which an Event of Non-Appropriation occurs.

The provisions described above are subject to the following limitations: if by reason of force majeure the City is unable in whole or in part to carry out its obligations under the Lease Agreement, other than its obligation to pay Rentals or Additional Rentals with respect thereto, the City shall not be deemed in default under the continuance of such inability, provided notice thereof is given to the Corporation and the Trustee. The term "force majeure" shall mean, without limitation, the following acts of God: strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or the State of Missouri or their respective departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, transmission pipes or canals; or any other cause or event not reasonably within the control of the City and not resulting from its negligence. The City agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the City from carrying out its agreement; provided that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the City and the City shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the City unfavorable to the City.

Remedies on Default

Whenever any Event of Default referred to in the Lease Agreement shall have happened and be continuing, the Corporation or the Trustee has the right, at its option and without any further demand or notice, to take any one or more of the following remedial steps:

(a) By written notice to the City, declare all Rentals and Additional Rentals for the Fiscal Year in which the Event of Default occurred to be immediately due and payable and such Rentals and Additional Rentals shall thereupon become immediately due and payable; or

(b) With or without terminating the Lease Agreement, take possession of the St. Louis Jail Facilities, and take all actions necessary to authorize, execute and deliver to the Corporation all documents necessary to vest in the Corporation for the remainder of the Lease Term, all of the City's interest in and to the St. Louis Jail Facilities, sell the Corporation's (or its assignee's) interest in the Base Lease, or lease the St. Louis Jail Facilities and collect the rentals therefor, for all or any portion of the remainder of its leasehold term upon such terms and conditions as it may deem satisfactory in its sole discretion, with the City remaining liable, subject to the requirement for appropriation, for the difference between (i) Rentals and Additional Rentals payable by the City under the Lease Agreement during the Lease Term and (ii) the net proceeds or any purchase price, rents or other amounts paid by the new purchaser, lessee or sublessee of the St. Louis Jail Facilities and, provided further, that in such event, if the Corporation shall receive a payment for sale of its interest or total subrentals for sublease that are, after payment of the Corporation's expenses in connection therewith, in excess of the purchase price applicable at the time of default plus interest thereon at the interest rate per annum borne by the Bonds, then such excess shall be paid to the City either by the Corporation, its assigns or by sublessee; or

(c) Take whatever action at law or in equity may appear necessary or desirable to collect the Rentals and Additional Rentals then due and thereafter to become due during the Term of the Lease Agreement, or enforce performance and observance of any obligation, agreement or covenant of the City under the Lease Agreement; or

(d) Upon the occurrence and continuance of an Event of Non-Appropriation, the Trustee, as provided in the Indenture, is requiredto give notice to the City to vacate the St. Louis Jail Facilities, terminate the Lease Agreement, re-enter the St. Louis Jail Facilities and eject all parties therefrom and, sublease the St. Louis Jail Facilities or take any action at law or equity to enforce its rights with respect to the St. Louis Jail Facilities.

SUMMARY OF INDENTURE

The following is a summary of certain provisions of the Indenture, pursuant to which the Series 2001A Bonds will be issued. The summary does not purport to be complete or comprehensive, and this summary is qualified in its entirety by reference to the Indenture, copies of which are available from the Corporation.

Nature of Obligations

The Series 2001A Bonds and the interest thereon, together with all Outstanding Series 1996 Bonds, the Series 2000A Bonds and Additional Bonds issued pursuant to the Indenture (collectively, the "Bonds"), arel be special obligations of the Corporation payable solely out of the Rentals and other revenues, moneys and receipts derived by the Corporation pursuant to the Lease Agreement, and are secured by a pledge and assignment of the Trust Estate to the Trustee and in favor of the Bondholders, as provided in the Indenture. No incorporator, member, agent, employee, director or officer of the Corporation or the City shall at any time or under any circumstances be individually or personally liable under the Indenture or the Lease Agreement for anything done or omitted to be done by the Corporation thereunder. The Bonds and the interest thereon shall not be a debt of the City or the State and the City and the State shall not be liable thereon, and the Bonds shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Assignment of Trust Estate

Pursuant to the Indenture, the Corporation will assign its interest in and to the Base Lease, the Lease Agreement and all Rentals and Additional Rentals and certain other revenues, moneys and receipts derived by the Corporation pursuant to the Lease Agreement (other than the Corporation's indemnification rights, rights to payment of fees and expenses of the Corporation set forth in the Lease Agreement and amounts due to be rebated to the United States as provided in Section 148 of the Code), all financing statements or other instruments or documents evidencing, securing or otherwise relating to the Lease Agreement and any and all real and personal property interests, including, but not limited to, equipment, of the Corporation acquired by the Corporation in connection with the Project pursuant to the Base Lease and the Lease Agreement, subject to the reserved rights listed above, all moneys and securities from time to time held by the Trustee under the terms of the Indenture (other than moneys in the Rebate Fund) and any and all other real or personal property of any kind and nature from time to time, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as and for additional security under the Indenture by the Corporation to the Trustee for the benefit of the holders of the Bonds (the foregoing being referred to as the "Trust Estate"). Additionally, the Corporation shall assign to the Trustee, all leases of the Trust Estate, or portions thereof now or hereafter entered into and all right, title and interest to the Corporation thereunder.

Funds Created

The Indenture provides for the creation of the following special trust funds and accounts to be designated as follows:

(a) Leasehold Revenue Improvement Bonds Bond Fund (the "Bond Fund");

(b) Leasehold Revenue Improvement Bonds Rebate Fund (the "Rebate Fund");

(c) Leasehold Revenue Improvement Bonds Project Fund (the "Project Fund");

(d) Leasehold Revenue Improvement Bonds Debt Reserve Fund (the "Debt Service Reserve Fund"); and

(e) Leasehold Revenue Improvement Bonds Costs of Issuance Fund (the "Costs of Issuance Fund").

The moneys in the above funds and accounts shall be held by the Trustee and shall be applied in accordance with the provisions of the Lease Agreement and the Indenture.

Deposit of Bond Proceeds and Other Moneys

From the proceeds of the sale of the Bonds, the Trustee shall first deposit to the Series 2001A Bond Account of the Bond Fund the full amount of accrued interest, if any, received in connection with the sale of the Series 2001A Bonds. The proceeds of the Series 2001A Bonds shall be deposited as provided in the Indenture.

Bond Fund

The Trustee shall deposit into the Bond Fund as and when received (i) all accrued interest on the Bonds paid by purchasers of the Bonds, (ii) all Rentals received from the City pursuant to the Lease Agreement, corresponding to the payments of principal of, premium, if any, and interest on the Bonds; (iii) all interest and other income derived from the investment of funds on deposit in the Bond Fund; and (iv) all moneys received by the Trustee under and pursuant to any provision of the Lease Agreement or the Indenture when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Bond Fund. Moneys in the Bond Fund should be expended solely for the payment of the principal, premium, if any, and interest on the Bonds as the same mature and become due or upon the redemption thereof prior to maturity.

The Trustee shall notify the City in writing fifteen (15) days prior to an Interest Payment Date of the moneys available in the Bond Fund to pay interest on such upcoming Interest Payment Date. Except as otherwise provided in the Indenture, funds on in the Bond Fund and shall be used and applied solely to pay the principal of, redemption premium, if any, and interest on the Bonds. The Trustee shall apply amounts on deposit in the Pledged Revenues Account to pay the principal of, redemption premium, if any, and interest on the Bonds prior to the application of amounts deposited in the Bond Fund to payment of the same. Any further application of moneys in the Pledged Revenues Account shall be as effectuated pursuant to the Indenture and the Pledge Agreement.

Whenever the amount in the Bond Fund from any source whatsoever is sufficient to redeem all of the Outstanding Bonds, and to pay interest to accrue thereon prior to such redemption, the Corporation, upon request of the City, shall take and cause to be taken the necessary steps to redeem all Bonds on the next succeeding Redemption Date as may be specified by the City.

Rebate Fund

All moneys required to expected to be rebated to the United States shall be deposited in the Rebate Fund.

Debt Service Reserve Fund

The funds on deposit in the Debt Service Reserve Fund shall be used and applied by the Trustee solely to prevent a default in the event moneys on deposit in the Bond Fund (including the Pledged Revenues Account) shall be insufficient to pay the principal of and interest on the Bonds as the same become due. The Trustee may disburse and expend moneys from the Debt Service Reserve Fund, whether or not the amount therein equals the Debt Service Reserve Fund Requirement. Moneys on deposit in the Debt Service Reserve Fund may be used to pay Bonds called for redemption, or to purchase Bonds in the open market, prior to their Stated Maturity, provided all Bonds at the time Outstanding are called for redemption or purchased, and sufficient funds are available therefor. Moneys on deposit in the Debt Service Reserve Fund shall be used to pay or retire the Bonds last becoming due, unless such Bonds and all interest thereon are otherwise paid.

So long as the sum on deposit in the Debt Service Reserve Fund shall aggregate an amount equal to the Debt Service Reserve Fund Requirement, no further deposits to said Debt Service Reserve Fund shall be required. If, however, the Trustee is ever required to withdraw funds from the Debt Service Reserve Fund to prevent a default under the Indenture, and the withdrawal of such funds reduces the amount on deposit in the Debt Service Reserve Fund to less than the Debt Service Reserve Fund Requirement, the City shall make up such deficiency in accordance with the provisions of the Lease Agreement by making monthly payment of Additional Rentals, commencing on the first day of the calendar month following the date of such withdrawal, and continuation on the first day of each month thereafter in an amount equal to one-twelfth (1/12) of the maximum amount of such deficiency, until the amount on deposit in the Debt Service Reserve Fund again aggregates a sum equal to the Debt Service Reserve Fund Requirement.

Notwithstanding the foregoing, any of the following may be used in lieu of or as partial substitution for cash in the Debt Service Reserve Fund: an insurance policy, letter of credit, line of credit, guaranty or surety bond or any similar credit or liquidity facility, or any combination thereof which facility shall be obtained from an entity that is rated in one of the two highest rating categories by either Moody's, Fitch or S&P. In the case of the utilization of any cash substitute as described in this paragraph, any moneys remaining in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement shall be transferred to the Bond Fund.

Investment earnings on funds on deposit in the Debt Service Reserve Fund shall be deposited into the Bond Fund.

Costs of Issuance Fund

Moneys on deposit in the Costs of Issuance Fund shall be paid out from time to time by the Trustee upon the written request of the Corporation Representative and the City Representative, in an amount equal to the costs and expenses of issuing and securing the Bonds certified in such written request, including, without limitation, printing expenses, rating agency fees, recording and filing fees, trustee's and depository's fees and expenses, fees and expenses of the Corporation, legal fees and other fees and expenses incurred or to be incurred by or on behalf of the Corporation or the City in connection with the issuance, sale and delivery of the Bonds. Moneys remaining in the Costs of Issuance Fund after all such costs and expenses have been paid, and, in any case, not later than six months from the Closing Date, are to be transferred to the Bond Fund.

Investment of Moneys in Project Fund, Costs of Issuance Fund, Bond Fund and Debt Service Reserve Fund

Moneys held in the Project Fund, the Costs of Issuance Fund, the Bond Fund and the Debt Service Reserve Fund, if any, shall be invested and reinvested by the Trustee in Permitted Investments which mature or are subject to redemption by the Holder prior to the date such funds will be needed. Any such Permitted Investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund or account in which such moneys are originally held, and the interest accruing thereon and any profit realized from such Permitted Investments shall be credited to such fund or account or as otherwise provided by any Supplemental Indenture, and any loss resulting from such Permitted Investments shall be charged to such fund or account. The Trustee shall sell and reduce to cash a sufficient amount of such Permitted Investments whenever the cash balance in such fund or account is insufficient for the purpose of such fund or account. The Trustee shall transfer excess moneys in the Debt Service Reserve Fund to the Bond Fund after each quarterly valuation.

Additional Bonds

So long as no event has occurred and is continuing which, with the passage of time or otherwise, would become an Event of Default under the Indenture or the Lease Agreement (unless such Additional Bonds are Refunding Bonds or are being issued to cure such event) Additional Bonds may be issued under and equally and ratably secured by the Indenture on a parity with the Bonds and any other outstanding Additional Bonds, at any time and from time to time, upon compliance with the conditions provided in the Indenture for the purpose of:

(a) paying the cost of completing the Project such costs to be evidenced by a certificate signed by a City Representative and a Corporation Representative, with the prior written consent of the Credit Provider; and

(b) providing funds for refunding all or any part of the Bonds then Outstanding of any series, including the payment of any redemption premium thereon and interest to accrue to the designated Redemption Date and any expenses in connection with such refunding.

Events of Default

If any one or more of the following events occur, it is hereby defined as and declared to be and to constitute an "Event of Default":

(a) Default by the Corporation in the due and punctual payment of any interest on any Bond;

(b) Default by the Corporation in the due and punctual payment of the principal of or redemption premium, if any, on any Bond, whether at the Stated Maturity or other Maturity thereof, or upon proceedings for redemption thereof;

(c) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Corporation contained in the Indenture or in the Bonds or in any other document or instrument that secures or otherwise relates to the debt and obligations secured by the Indenture, and the continuance thereof for a period of sixty (60) days after written notice given to the Corporation and the City by the Trustee, or to the Trustee, the City, and the Corporation by the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding; provided, however, if the failure stated in the notice cannot be corrected within the said 60-day period, the Trustee may consent in writing to an extension of such time prior to its expiration and the Trustee will not unreasonably withhold its consent to such an extension if corrective action is instituted by the Corporation or the City within the 60-day period and diligently pursued to completion and if such consent in its judgment, does not materially adversely affect the interests of the Bondholders.

(d) An Event of Default under the Lease Agreement.

Acceleration of Maturity in Event of Default

If an Event of Default shall have occurred and be continuing, the Trustee may and, upon the written request of the Holders of not less than 51% in aggregate principal amount of Bonds then Outstanding, shall, by notice in writing delivered to the Corporation and the City, declare the principal of all Bonds then Outstanding and the interest accrued thereof immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable.

If the payment of the Bonds is accelerated, each Bond shall be payable in the principal amount thereof and accrued interest thereon.

Surrender of Possession of Trust Estate; Rights and Duties of Trustee in Possession

If an Event of Default shall have occurred and be continuing, the Corporation, upon demand of the Trustee, shall forthwith surrender the possession of, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all or any part of the Trust Estate, together with the books, papers and accounts of the Corporation pertaining thereto, and including the rights and the position of the Corporation under the Lease Agreement and to collect, receive and sequester the Rentals and other revenues, moneys and receipts derived under the Lease Agreement, and out of the same and any moneys received from any receiver of any part thereof pay, and set up proper reserves for the payment of all proper costs and expenses of so taking, holding and managing the same, including (i) reasonable compensation to the Trustee, its agents and counsel and (ii) any charges of the Trustee hereunder, and the Trustee shall apply the remainder of the moneys so received in accordance with the Indenture. The collection of such Rentals, revenues and other receipts, or the application thereof shall not cure or waive any default or notice of default under the Indenture or invalidate any act done in response to such default or pursuant to notice of default. Whenever all that is due upon the Bonds shall have been paid and all defaults cured, the Trustee shall surrender possession of the Trust Estate to the Corporation, its successors or assigns, the same rights, however, to exist upon any subsequent Event of Default.

Exercise of Remedies by the Trustee

Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of and interest on the Bonds then Outstanding, and enforce and compel the performance of the duties and obligations of the Corporation as herein set forth or to enforce or realize upon any of the rights, powers, liens or interests granted hereby to the Trustee. Upon the occurrence of an Event of Default, the Trustee may exercise any of the rights and remedies of a secured party under the Missouri Uniform Commercial Code or other applicable laws and require the Corporation to assemble any collateral covered by the Indenture and make it available to the Trustee at a place to be designed by the Trustee which is reasonably convenient to both parties.

Exercise of Rights and Powers

If an Event of Default shall have occurred and be continuing, and if requested so to do by the Holders of 25% in aggregate principal amount of Bonds then Outstanding and indemnified as provided in the Indenture, the Trustee shall be obligated to exercise one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, deems most expedient in the interests of the Bondholders.

All rights of action under the Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Bondholder, and any recovery or judgment shall, subject to the Indenture, be for the equal benefit of all the Registered Owners of the Outstanding Bonds.

Limitation on Exercise of Remedies by Bondholders

No Bondholder shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust under the Indenture or for the appointment of a receiver or any other remedy unless:

(i) a default has occurred of which the Trustee has been notified or of which the Trustee is deemed to have notice;

(ii) such default shall have become an Event of Default;

(iii) the Holders of 25% in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee, shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore described or to institute such action, suit or proceedings in its own name, and shall have provided to the Trustee indemnity as provided in the Indenture; and

(iv) the Trustee shall thereafter fail or refuse to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; and such notification, request and provision of indemnity are declared in every case, at the option of the Trustee under the Indenture, to be conditions precedent to the execution of the powers and trusts of the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy, it being understood and intended that no one or more Bondholders shall have any right in any manner whatsoever to affect, disturb or prejudice the Indenture by its, his or their action or to enforce any right except in the manner provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the Registered Owners of all Bonds then Outstanding. Nothing in the Indenture shall affect or impair the right of any Bondholder to payment of the principal of, and premium, if any, and interest on any Bond at and after its Maturity or the obligation of the Corporation to pay the principal of, and premium, if any, and interest on, each of the Bonds to the respective Registered Owners thereof at the time, place, from the source and in the manner herein and in such Bond expressed.

Opportunity of City to Purchase or Cure in the Event of Default

(a) Upon receipt of notice by the City of an Event of Default pursuant to the Indenture, the Corporation has, under the Lease Agreement, granted the City an option to purchase the Corporation's interest in the St. Louis Jail Facilities under the Lease Agreement.

(b) Upon receipt of notice by the City of an Event of Default pursuant to the Indenture, the Corporation pursuant to the Indenture, grants the City full authority, on account of the Corporation, to perform any covenant, agreement, or obligation, non-performance of which is alleged in said notice to constitute a default, in the name and stead of the Corporation, with full power to do any and all things and acts to the same extent that the Corporation could do, and perform any such things and acts in order to remedy such default.

Supplemental Indentures Not Requiring Consent of Bondholders

The Corporation with the approval of the Board of Aldermen and the Trustee may from time to time, without the consent of or notice to any of the Bondholders, enter into such Supplemental Indenture or Supplemental Indentures as shall not adversely affect the interests of the Bondholders for any one or more of the following purposes: (a) to cure any ambiguity or formal defect or omission in the Indenture or to correct or supplement any provision which may be inconsistent with any other provision therein: (b) to grant or to confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee or either of them; (c) to subject to the Indenture additional revenues, properties or collateral; (d) to issue the initial Series of Bonds; (e) to issue Additional Bonds; (f) to make any other change which in the sole determination of the Trustee does not materially adversely affect the Bondholders, and (g) to evidence the appointment of a separate trustee or co-trustee or the succession of a new trustee.

Supplemental Indentures Requiring Consent of Bondholders

The Holders of not less than a majority in aggregate principal amount of Bonds at the time Outstanding have the right, from time to time, to consent to and approve the execution by the Corporation and the Trustee of such other Supplemental Indenture or Supplemental Indentures as are deemed necessary and desirable by the Corporation and the City for the purpose of modifying, amending, adding to or rescinding, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided that the consent of all of the Holders of the Bonds then Outstanding is required for (a) an extension of the maturity of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of any Bond or the rate of interest thereon, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) reduction in the aggregate principal amount of the Bonds, the Holders of which are required to consent to any such Supplemental Indenture.

If at any time the Corporation shall request the Trustee to enter into any such Supplemental Indenture, the Trustee shall cause notice of the proposed execution of such Supplemental Indenture to be mailed to each Bondholder at the address shown on the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Bondholders. If within 60 days or such longer period as shall be prescribed by the Corporation following the mailing of such notice, the Holders of not less than the requisite aggregate principal amount of Bonds Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof and therein provided, no Holder of any Bond shall have right to object to any of the terms and provisions contained therein, of the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Corporation from executing the same or from taking any action pursuant to the provisions thereof.

Supplemental Lease Agreements and Supplemental Base Leases Not Requiring Consent of Bondholders

The Corporation and the Trustee shall, without the consent of or notice to the Bondholders consent to the execution of any Supplemental Lease Agreement and any Supplemental Base Lease, as may be required (a) by the Lease Agreement, the Base Lease or the Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission, (c) in connection with the issuance of Additional Bonds, or (d) in connection with any other change therein which, in the sole determination of the Trustee, does not materially adversely affect the interests of the Trustee or the Bondholders.

Supplemental Lease Agreements and Supplemental Base Leases Requiring Consent of Bondholders

Except for the amendments, changes or modifications described in the previous paragraph, neither the Corporation nor the Trustee can consent to the execution of any Supplemental Lease Agreement or any Supplemental Base Lease without the mailing of notice and the obtaining of the written approval or consent of the Holders of not less than a majority in aggregate principal amount of Bonds at the time Outstanding given and obtained as provided in the Indenture; provided that the consent of all the Holders of Bonds shall be required for (a) the creation of any lien ranking superior to or on a parity with the lien of the Indenture, unless otherwise permitted or (b) a reduction in the aggregate principal amount of the Bonds, the Holders of which are required to consent to any Supplemental Lease Agreement or any Supplemental Base Lease. If at any time the Corporation and the City shall request the consent of the Trustee to any such proposed Supplemental Lease Agreement or any Supplemental Base Lease, the Trustee shall cause notice of such proposed Supplemental Lease Agreement or Supplemental Base Lease to be given in the same manner as provided with respect to Supplemental Indentures. Such notice is rrequired to briefly set forth the nature of such proposed Supplemental Base Lease or Supplemental Lease Agreement and is required to state that copies of the same are on file at the principal corporate trust office of the Trustee for inspection by all Bondholders.

SUMMARY OF PLEDGE AGREEMENT

The following is a summary of certain provisions of the Pledge Agreement dated as of August 1, 1996, made by the City to the Trustee (the "Pledge Agreement") pursuant to which additional security for the Bonds is pledged. The summary does not purport to be comprehensive, and this summary is qualified in its entirety by reference to the Pledge Agreement, copies of which are available from the Corporation.

Pursuant to the Pledge Agreement, the City has pledged as additional security for the Bonds certain payments of monies constituting per diem reimbursements for costs of boarding State prisoners chargeable and billed to the State and credited and payable to the City (the "Pledged Revenues").

Pledge; Term

The City pledges to the Trustee and grants to the Trustee a security interest in all state reimbursements received by the City from the State pursuant to Section 221.105 of Missouri Revised Statutes, as the same may be amended from time to time, or pursuant to any statute enacted in substitution therefor (the "Statute") beginning on August 1, 1996, and from time to time thereafter. The Pledge Agreement shall remain in force and effect until the earlier of the expiration date of the Base Lease or the payment in full of the principal of, premium, if any, and interest on the Bonds and any Additional Bonds, whereupon the Pledge Agreement shall terminate.

Delivery and Application of Pledged Revenues

All Pledged Revenues at the time payable to the City are required to be delivered to and held by the Trustee in the Pledged Revenue Account. The City, in the Pledge Agreement, agrees to take all necessary steps to direct and authorize the State to remit the Pledged Revenues directly to the Trustee for application as set forth in the Pledge Agreement. The City further agrees in the Pledge Agreement to promptly execute and deliver each month to the State Office of Administration all documents required by the State pursuant to the Statute for the payment of the Pledged Revenues. The Trustee shall deposit the Pledged Revenues into the Pledged Revenues Account, to be applied as follows: first, to pay the principal of, premium, if any, and interest on the Bonds prior to the application of amounts deposited in the Bond Fund pursuant to the Lease Agreement, or, in lieu of the foregoing, in the event there shall be in effect a Credit Agreement, such moneys shall be applied, if necessary, to reimburse the Credit Provider for any claims thereunder, including applicable costs and fees incurred in the payment of principal of and interest on the Bonds; second, in the event that the amount held in the Pledged Revenues Account on any Principal Payment Date exceeds the amount then due to pay the principal of, premium, if any, and interest on the Bonds either (a) to pay to the City such excess amount within five (5) Business Days of said Principal Payment Date; or (b) if the City so elects in accordance with the Lease Agreement, to the credit of the City for payment of future obligations, if any, under the Lease Agreement; and third, in the event of termination of the Lease Agreement, to the obligations of the Corporation then due under the Indenture, less any amount realized by the Corporation or the Trustee from the lease of the St. Louis Jail Facilities.

Notification to City

Thirty (30) days prior to the due date of each payment of principal and interest and premium, if any, on the Bonds, the Trustee is required to notify the City in writing of the amount of Pledged Revenues received by the Trustee and held in the Pledged Revenues Account.

Transfers and Other Liens

The City agrees that, without the prior written consent of the Trustee, the City will not create or permit to exist any lien, security interest, other charge or encumbrance upon or with respect to any of the Pledged Revenues, except for the pledge and security interest created by the Pledge Agreement. The Pledge Agreement may be amended to include any pledge and security agreement created by the issuance of any Additional Bonds and any Credit Enhancement therefor.

Security Interest Absolute

The Pledge Agreement shall create a continuing pledge and security interest in the Pledged Revenues. Subject to the term of the Pledge Agreement and the limitation of obligations set forth below, all obligations of the City under the Pledge Agreement shall be absolute and unconditional irrespective of: (i) any change in the time, manner of place of payment of, or in any other term of, all or any of the Bonds, or any other amendment or waiver of or any consent to any departure form the Indenture, any Credit Agreement, or the Bonds; (ii) any exchange, release or non-perfection of any other collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all or any of the obligations secured by the Pledge Agreement; (iii) termination of the Lease Agreement or any Credit Agreement for any reason; or (iv) any other circumstance which might otherwise constitute a defense available to, or a discharge of the Corporation or the Credit Provider.

Limitation of Obligations

The Trustee acknowledges in the Pledge Agreement that the obligations secured by the payments under the Pledge Agreement are neither general obligations nor indebtedness for any purpose of the City or the State, or of any officer or employee thereof. The Trustee further acknowledges in the Pledge Agreement that the payment by the State is subject to appropriation and to withholding by the State, in the event of a State revenue shortfall and that the Statute providing for the Pledged Revenues is subject at any time to amendment or repeal, and that the State is not a party to the Pledge Agreement.

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APPENDIX E

FORM OF OPINION OF CO-BOND COUNSEL

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APPENDIX E

FORM OF OPINION OF CO-BOND COUNSEL

September 18, 2001

St. Louis Municipal Finance Corporation
St. Louis, Missouri

The City of St. Louis, Missouri
St. Louis, Missouri

UMB Bank, N.A., as Trustee
Kansas City, Missouri

RE: $62,205,000 St. Louis Municipal Finance Corporation City Justice Center Leasehold Revenue Refunding Bonds, Series 2001A (City of St. Louis, Missouri, Lessee)

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance of $62,205,000 aggregate principal amount of City Justice Center Leasehold Revenue Refunding Bonds, Series 2001A (City of St. Louis, Missouri, Lessee) (the "Bonds") of the St. Louis Municipal Finance Corporation, a nonprofit corporation duly organized and existing under the Missouri Nonprofit Corporation Act (the "Issuer"). As such we have examined (i) the Indenture of Trust, dated as of August 1, 1996, the First Supplemental Indenture of Trust, dated as of August 1, 1996, the Second Supplemental Indenture of Trust, dated as of February 1, 2000, and the Third Supplemental Indenture of Trust, dated as of September 1, 2001, each by and between the Issuer and UMB Bank, N.A. (formerly UMB Bank of St. Louis, N.A.), Kansas City, Missouri, as trustee (the "Trustee") (collectively, the "Indenture"); (ii) the Base Lease, dated as of August 1, 1996, and the First Supplemental Base Lease, dated as of February 1, 2000, each by and between the City of St. Louis, Missouri (the "City") and the Issuer (collectively, the "Base Lease"); (iii) the Lease Purchase Agreement, dated as of August 1, 1996, and the First Supplemental Lease Purchase Agreement, dated as of February 1, 2000, each by and between the Issuer and the City (collectively, the "Lease Agreement"); (iv) certain certifications of officers of the Issuer and officials of the City and others; and (v) the form of the Bonds.

In rendering the opinions set forth herein we have assumed, without undertaking to verify the same by independent investigation, (i) as to questions of fact, the accuracy of all of the representations of the Issuer and the City as set forth in the Indenture, the Base Lease and the Lease Agreement and all certifications of officers of the Issuer and officials of the City and others examined by us, (ii) the conformity to original documents of all documents submitted to us as copies and the authenticity of such original documents and all documents submitted to us as originals, and (iii) that the proceeds of the Bonds will be used to refund a portion of the Corporation's outstanding City Justice Center Leasehold Revenue Improvement Bonds, Series 1996A (City of St. Louis, Missouri, Lessee). With respect to opinions set forth herein regarding tax law, we have assumed that all covenants and requirements of the Base Lease, the Lease Agreement and the Indenture will be duly complied with and fulfilled.

No opinion is expressed as to the Pledge Agreement, dated as of August 1, 1996, between the City and the Trustee, or the title to or description of the Project (as defined in the Indenture).

We have not been engaged, or undertaken, to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and we express no opinion herein with respect thereto.

Based on our examination, we are of the opinion, as of the date hereof and under existing law, as follows:

1. The Bonds have been duly authorized, issued and delivered by the Issuer in accordance with the constitution and laws of the State of Missouri (the "State") and the provisions of the Indenture.

2. The Bonds constitute valid and binding special obligations of the Issuer payable solely out of the rentals and certain other revenues and receipts derived by the Issuer pursuant to the Lease Agreement, all in the manner provided in the Indenture and the Lease Agreement. The Bonds do not constitute a debt of the City or the State, do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction, and are not payable in any manner by taxation.

3. The Indenture, the Base Lease and the Lease Agreement have been duly authorized, executed and delivered by the Issuer, constitute valid and binding agreements of the Issuer and are enforceable in accordance with their respective terms. All right, title and interest of the Issuer in, to and under the Lease Agreement have been duly pledged and assigned by the Issuer to the Trustee as security for the payment of the Bonds and any additional bonds issued pursuant to the Indenture.

4. The Base Lease and the Lease Agreement have been duly authorized, executed and delivered by the City, constitute valid and binding agreements of the City and are enforceable in accordance with their respective terms.

5. The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Bonds. The Corporation and the City have covenanted in the Indenture and the Lease Agreement to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code.

Under existing law and assuming compliance with the tax covenants described herein, interest on the Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

6. Under existing statutes and regulations promulgated thereunder, interest on the Bonds is not includable in Missouri taxable income for purposes of the income tax imposed by the State, except that no opinion is expressed as to the applicability of the tax imposed by Chapter 148 of the Revised Statutes of Missouri on financial institutions and measured by income on any holder of a Bond.

7. The Bonds maturing February 15, 2011 through February 15, 2016, inclusive (the "Premium Bonds"), are being offered at prices in excess of their principal amounts. We are of the opinion that an initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for Federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the

taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds.

Except as stated in paragraphs 5 through 7 above, we express no opinion as to any other Federal or state tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice of other bond counsel.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof, including the enforceability of the documents described above, may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

APPENDIX F

FORM OF POLICY OF FINANCIAL GUARANTY INSURANCE

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Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

AMBAC ASSURANCE CORPORATION
CORPORATE
SEAL
WISCONSIN

Anne G. Gill

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)

CUSIP: 79165T FN6 - GB1

ISSUER: St Louis Municipal Fin Corp
Missouri